

2016 | ANNUAL REPORT



FINANCIAL HIGHLIGHTS

OPERATING RESULTS (IN THOUSANDS)

2016

2015

% Change

Sales and merchandising revenues	\$3,924,790	\$4,198,495	(6.5%)
Gross profit	345,506	375,838	(8.1%)
Equity in earnings of affiliates	9,721	31,924	(69.5%)
Other income, net	14,775	46,472	(68.2%)
Net income (loss)	14,470	(11,322)	227.8%
Net income (loss) attributable to The Andersons, Inc.	11,594	(13,067)	188.7%

FINANCIAL POSITION (IN THOUSANDS)

Total assets	2,232,849	2,359,101	(5.4%)
Working capital	258,350	241,485	7.0%
Long-term debt	397,065	436,208	(9.0%)
Total equity	790,697	783,739	0.9%

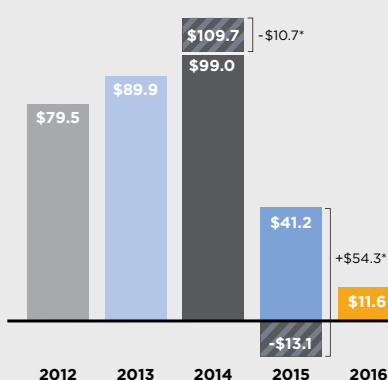
PER SHARE DATA

Net income (loss) —basic	0.41	(0.46)	189.1%
Net income (loss) —diluted	0.41	(0.46)	189.1%
Dividends declared	0.625	0.575	8.7%
Year-end market value	44.70	31.63	41.3%

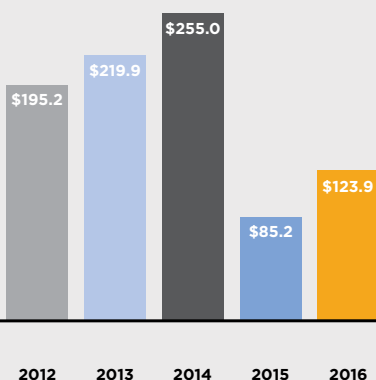
RATIOS AND OTHER DATA

Net income (loss) attributable to The Andersons, Inc. return on beginning equity attributable to The Andersons, Inc.	1.5%	(1.6%)	193.8%
Adjusted net income attributable to The Andersons, Inc. return on beginning equity attributable to The Andersons, Inc.*	1.5%	5.0%	(70.0%)
Funded long-term debt to equity	0.5-to-1	0.6-to-1	(9.8%)
Weighted average shares outstanding (basic) (in thousands)	28,193	28,288	(0.3%)
Effective tax rate	32.3%	2.1%	1438.1%

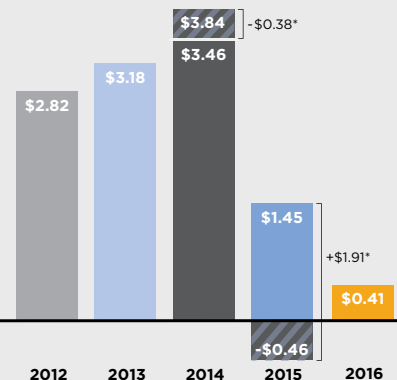
Net Income (Loss) Attributable to The Andersons, Inc.*
(Dollars in Millions)



EBITDA
(Dollars in Millions)



Earnings (Loss) Per Share—Diluted*
(In Dollars)



* Adjusted net income for 2015 excludes one-time after-tax losses of \$34.8 million, \$31.9 million and \$1.9 million in goodwill impairments, pension settlement charges, and one-time acquisition costs, respectively and a \$14.3 million after-tax gain on the partial redemption of our Lansing Trade Group investment. Adjusted net income for 2014 excludes a \$10.7 million gain from the partial redemption of the Lansing Trade Group.



Dear Shareholders and Friends,

The past 12 months, and my first full year as CEO, have been filled with significant challenges, changes and preparations for a brighter future. In total, while we improved over 2015's results, our performance was mixed and below our long-term expectations. The Rail and Ethanol groups each had a good year in spite of some difficult market conditions. Meanwhile, the Grain and Plant Nutrient groups continued to face lower margins that traced back to the difficult 2015 planting season and harvest in the Eastern Corn Belt. Finally, after much consideration and a persistent history of losses, in January we made the difficult decision to close our Retail business.

We reported 2016 GAAP net income attributable to The Andersons, Inc. of \$11.6 million dollars or \$0.41 per diluted share. Those results included asset impairment charges in our Retail and Plant Nutrient businesses of \$0.20 per diluted share. Our 2016 Earnings Before Interest Taxes, Depreciation & Amortization (EBITDA) was \$123.9 million.

The Rail Group posted another solid year despite declining market conditions. Our fleet utilization and renewal rates both declined, putting pressure on margins. We had fewer solid opportunities to sell or finance railcars than in 2015. Our railcar repair and fabrication businesses were bright spots, as higher sales volumes and improved productivity led to record results.

The Ethanol Group also performed well, even as its income from the sale of distiller's dried grains (DDGS) was negatively impacted by Chinese tariffs and substandard eastern U.S. grain quality due to the presence of vomitoxin later in the year. Ethanol margins were very tight to begin the year, but improved steadily. The Group benefited from lower corn prices, strong ethanol demand, and a fairly robust export market, while making significant gains in productivity. The Group is eagerly anticipating the completion of

its project to double production capacity at its Albion, Michigan, facility in the second quarter to take advantage of good corn supply and strong local demand.

The Grain Group began to rebound from the effects of the poor 2015 harvest in the last few months of 2016. The smaller 2015 Eastern Corn Belt harvest reduced space income possibilities through much of 2016. The substantially better 2016 harvest allowed us to buy new crop grain at more normal basis levels. The Group also began to benefit from its IT infrastructure upgrade as it was able to automate some functions that had previously been completed manually. The Group acquired additional specialty grain assets in Saskatchewan, Canada, as it continues to expand its food grade grain offerings. Finally, the Group's results from its investment in Lansing Trade Group also suffered from difficult results in the Chinese DDGS market and the same generally muted grain market conditions.

The Plant Nutrient Group faced very significant challenges in 2016. Sales and margins both fell throughout the year as market oversupply, declining prices and low net farm income caused many customers to delay or forgo normal purchases. On a more positive note, the Group's lawn business achieved record income performance.

After years of unprofitable operation, and despite concerted efforts to reinvent the business, we made the difficult decision to close the Retail business after 65 years in operation. The stores have often been quite literally the public face of the company in the Maumee, Toledo and Columbus communities, and I would like to take this opportunity to thank the more than 1,000 dedicated employees who have served our stakeholders so well for so long, and our thousands of valued and loyal customers.

In 2016, we also sold or closed a number of underperforming assets or businesses, began a Company-wide cost savings and productivity initiative, markedly improved our safety performance, and opened a new headquarters building.

In addition to announcing the closure of the Retail business, we have rationalized some assets and businesses since this time last year. We sold underperforming grain and agronomy assets in Iowa in the second quarter. We also closed an unprofitable cob production facility in Illinois in the fourth quarter and consolidated our cob operations into one location.

Earlier this year we announced plans to achieve \$10 million in permanent run rate savings by the end of 2017. We are pleased to report that we met that goal a year early and recently announced our intention to double those savings by the end of 2018. Some of the savings will be offset by one-time charges for impaired assets and employee severance.

We renewed our focus on personal safety in 2016 with gratifying results. Recordable injuries declined 32 percent, and lost time injuries were reduced by 42 percent. In addition, we began implementing a behavior-based safety program throughout the Company. Safety is constantly our focus.

After 36 years working in what had become an outdated space, about 550 employees moved into our new corporate headquarters – which is featured on the cover – in September. The building houses the administrative and leadership teams of our four main business groups and our corporate personnel under one roof. The project was completed on time, on budget and with no recordable injuries. It was designed to allow for growth and incorporates many state-of-the-art office concepts that will improve productivity, enhance employees' work experience and help attract the next generation of employees to The Andersons.

Our IT infrastructure upgrades are continuing, with current implementation focused on the Plant Nutrient Group. The upgrades already in place have increased productivity, accuracy and the connection between employees, customers and information, which we expect to accelerate as the project continues.

We expect our 2017 financial and operating performance to improve significantly over 2016 results.

- Our Grain Group should continue to reap the positive effects of a better 2016 harvest, especially if it is followed by a comparable 2017 season.
- Historically high grain stocks should stimulate continued improvement in grain margins and more selling by growers, who may be better equipped to purchase more Plant Nutrient products than in 2016.
- The Ethanol Group expects a somewhat improved year, marked by continuing strong export demand, steady driving demand and increased capacity at Albion.
- The Rail Group is beginning to see signs of higher railcar loadings, which should stimulate more demand later in the year.
- We will all continue to keenly focus on managing our asset portfolio, controlling costs and improving efficiency throughout the Company.

We remain confident in our future earning potential and thus recently raised our quarterly dividend from 15 1/2 cents to 16 cents per share, an increase of three percent. Our balance sheet remains strong, and our overall financial position remains solid.

August will mark our 70th anniversary as a company. We are justifiably proud of our historical accomplishments, but our focus must be on the road ahead. We have weathered difficult challenges this past year and are confident about a future filled with promise, growth opportunities, and the blessings that come with hard work.



Pat Bowe,
President & CEO



The
Andersons®



GRAIN



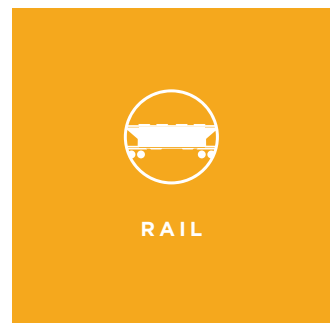
ETHANOL



PLANT NUTRIENT



RAIL



RETAIL



CORPORATE INFORMATION

BOARD OF DIRECTORS

Gerard M. Anderson⁽³⁾
Chairman & Chief Executive Officer
DTE Energy

Michael J. Anderson
Chairman
The Andersons, Inc.

Patrick E. Bowe
President & Chief Executive Officer
The Andersons, Inc.

Catherine M. Kilbane⁽²⁾⁽⁴⁾
Senior Vice President, General
Counsel & Secretary
The Sherwin-Williams Company

Robert J. King, Jr.⁽²⁾⁽³⁾
Senior Advisor
F.N.B. Corporation

Ross W. Manire⁽¹⁾⁽³⁾
Chairman & Chief Executive Officer
ExteNet Systems, Inc.

Donald L. Mennel⁽¹⁾⁽⁴⁾⁽⁵⁾
Chairman
The Mennel Milling Company

Patrick S. Mullin⁽¹⁾⁽⁴⁾
Retired Managing Partner
Northeast Ohio Practice
Deloitte & Touche LLP

John T. Stout, Jr.⁽²⁾⁽³⁾
Chairman & Chief Executive Officer
Plaza Belmont Management Group, LLC

Jacqueline F. Woods⁽¹⁾⁽²⁾
Retired President
AT&T Ohio

- (1) Audit Committee
- (2) Compensation/Leadership
Development Committee
- (3) Finance Committee
- (4) Governance/Nominating Committee
- (5) Lead Independent Director

CORPORATE OFFICERS

Dan Anderson
President, Retail Group

Val Blanchett
VP, Human Resources

Pat Bowe
President & Chief Executive Officer

Naran Burchinow
SVP, General Counsel & Secretary

Jim Burmeister
VP, Finance & Treasurer

John Granato
Chief Financial Officer

Mike Irmen
President, Ethanol Group

Corey Jorgenson
President, Grain Group

Anne Rex
VP, Corporate Controller

Rasesh Shah
President, Rail Group

Tamara Sparks
VP, Financial Planning & Analysis

Bill Wolf
President, Plant Nutrient Group

INVESTOR INFORMATION

Corporate Offices
The Andersons, Inc.
1947 Briarfield Boulevard
Maumee, OH 43537
419-893-5050
www.andersonsinc.com

NASDAQ Symbol
The Andersons, Inc. common shares are traded on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol ANDE.

Common Stock
28.2 million shares outstanding, as of December 31, 2016.

Stock Purchase and Dividend Reinvestment
Computershare BYDSSM is a direct stock purchase program that provides an alternative to traditional methods of buying, holding and selling shares in The Andersons, Inc. Through Computershare BYDSSM you can purchase and sell The Andersons' shares directly, rather than dealing with a broker. Call 312-360-5260 for more information on the program.

Transfer Agent & Registrar
Computershare Investor Services, LLC
P.O. Box 43078
Providence, RI 02940-3078
312-360-5260
Toll-free within the U.S. & Canada:
877-373-6374
Investor CentreTM portal:
www.computershare.com/investor

Form 10-K
Additional copies of The Andersons' 2016 Form 10-K, filed on March 1, 2017 with the SEC, are available to shareholders and interested individuals without charge by writing or calling Investor Relations.

Investor Relations
John Kraus
Director, Investor Relations
419-891-6544
john_kraus@andersonsinc.com

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
Cleveland, OH

Annual Meeting
The annual shareholders' meeting of The Andersons, Inc. will be held at The Andersons' Headquarters, 1947 Briarfield Boulevard Maumee, OH 43537 at 8:00 a.m. on May 12, 2017.



GRAIN



ETHANOL



PLANT NUTRIENT



RAIL



RETAIL



The Andersons, Inc.
1947 Briarfield Boulevard
Maumee, Ohio 43537

www.andersonsinc.com

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

Commission file number 000-20557

THE ANDERSONS, INC.

(Exact name of the registrant as specified in its charter)

OHIO

(State of incorporation
or organization)

34-1562374

(I.R.S. Employer
Identification No.)

1947 Briarfield Boulevard, Maumee, Ohio

(Address of principal executive offices)

43537

(Zip Code)

Registrant's telephone number, including area code (419) 893-5050

Securities registered pursuant to Section 12(b) of the Act: Common Shares

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting stock which may be voted by persons other than affiliates of the registrant was \$944.2 million as of June 30, 2016, computed by reference to the last sales price for such stock on that date as reported on the Nasdaq Global Select Market.

The registrant had approximately 28.2 million common shares outstanding, no par value, at February 24, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2017, are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Commission on or about March 15, 2017.

THE ANDERSONS, INC.

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Part I.

Item 1. Business

Company Overview

The Andersons, Inc. (the "Company") is a diversified company rooted in agriculture. Founded in Maumee, Ohio in 1947, the Company conducts business across North America in the grain, ethanol, plant nutrient and rail sectors. The Company also produces turf and cob products and has a consumer retailing presence.

Segment Descriptions

The Company's operations are classified into five reportable business segments: Grain, Ethanol, Rail, Plant Nutrient, and Retail. Each of these segments is organized based upon the nature of products and services offered. See Note 13 to the Consolidated Financial Statements in Item 8 for information regarding business segments.

Grain Group

The Grain business primarily operates grain elevators in various states in the U.S. Corn Belt. Income is earned on grain bought and sold or "put thru" the elevator, grain that is purchased and conditioned for resale, and space income. Space income consists of appreciation or depreciation in the basis value of grain held and represents the difference between the cash price of a commodity in one of the Company's facilities and an exchange traded futures price ("basis"); appreciation or depreciation between the future exchange contract months ("spread"); and grain stored for others upon which storage fees are earned. The Grain business also offers a number of unique grain marketing, risk management and corn origination services to its customers and affiliated ethanol facilities for which it collects fees.

The Company has a lease and marketing agreement with Cargill, Incorporated ("Cargill") for Cargill's Maumee and Toledo, Ohio grain handling and storage facilities. As part of the agreement, Cargill is given the marketing rights to grain in the Cargill-owned facilities as well as the adjacent Company-owned facilities in Maumee and Toledo. The lease of the Cargill-owned facilities covers approximately 6%, or 8.7 million bushels, of the Company's total storage space.

Grain prices are not predetermined, so sales are negotiated by the Company's merchandising staff. The principal grains sold by the Company are corn, soybeans and wheat. Approximately 97% of grain sales by the Company in 2016 were purchased by U.S. grain processors and feeders, and approximately 3% were exported. Most of the Company's exported grain sales are done through intermediaries while some grain is shipped directly to foreign countries, mainly Canada. Grain shipments from our facilities are by rail, truck, or boat. Rail shipments are made primarily to grain processors and feeders with some rail shipments made to exporters on the Gulf of Mexico or east coast. Boat shipments are from the Port of Toledo. In addition, grain is transported via truck for direct ship transactions where producers sell grain to the Company but have it delivered directly to the end user.

The Company's grain operations rely principally on forward purchase contracts with producers, dealers and commercial elevators to ensure an adequate supply of grain to the Company's facilities throughout the year. The Company makes grain purchases at prices referenced to the Chicago Mercantile Exchange ("the CME").

The Company competes in the sale of grain with other public and private grain brokers, elevator operators and farmer owned cooperative elevators. Some of the Company's competitors are also its customers. Competition is based primarily on price, service and reliability. Because the Company generally buys in smaller lots, its competition for the purchase of grain is generally local or regional in scope, although there are some large national and international companies that maintain regional grain purchase and storage facilities. Significant portions of grain bushels purchased and sold are done so using forward contracts.

The grain handling business is seasonal in nature in that the largest portion of the principal grains are harvested and delivered from the farm and commercial elevators in July, October and November although a significant portion of the principal grains are bought, sold and handled throughout the year.

Fixed price purchase and sale commitments as well as grain held in inventory expose the Company to risks related to adverse changes in market prices. Grain prices are typically comprised of two components, futures prices on the CME and local basis adjustments. The Company manages the futures price risk by entering into exchange-traded futures and option contracts with

the CME. The contracts are economic hedges of price risk, but are not designated or accounted for as hedging instruments. The CME is a regulated commodity futures exchange that maintains futures markets for the grains merchandised by the Company. Futures prices are determined by worldwide supply and demand.

The Company's grain risk management practices are designed to reduce the risk of changing commodity prices. In that regard, such practices also limit potential gains from further changes in market prices. The Company has policies that provide key controls over its risk management practices. These policies include a description of the objectives of the programs and review of position limits by key management outside of the trading function on a daily basis along with other internal controls. The Company monitors current market conditions and may expand or reduce the purchasing program in response to changes in those conditions. In addition, the Company monitors its counterparties on a regular basis for credit worthiness, defaults and non-delivery.

Purchases of grain can be made the day the grain is delivered to a terminal or via a forward contract made prior to actual delivery. Sales of grain generally are made by contract for delivery in a future period. When the Company purchases grain at a fixed price or at a price where a component of the purchase price is fixed via reference to a futures price on the CME, it also enters into an offsetting sale of a futures contract on the CME. Similarly, when the Company sells grain at a fixed price, the sale is offset with the purchase of a futures contract on the CME. At the close of business each day, inventory and open purchase and sale contracts as well as open futures and option positions are marked-to-market. Gains and losses in the value of the Company's ownership positions due to changing market prices are netted with, and generally offset in the statement of operations by, losses and gains in the value of the Company's futures positions.

When a futures contract is entered into, an initial margin deposit must be sent to the CME. The amount of the margin deposit is set by the CME and varies by commodity. If the market price of a futures contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required by the CME. Subsequent price changes could require additional maintenance margin deposits or result in the return of maintenance margin deposits by the CME. Significant increases in market prices, such as those that occur when grain supplies are affected by unfavorable weather conditions and/or when increases in demand occur, can have an effect on the Company's liquidity and, as a result, require it to maintain appropriate short-term lines of credit. The Company may utilize CME option contracts to limit its exposure to potential required margin deposits in the event of a rapidly rising market.

The Company owns 33% of the equity in Lansing Trade Group LLC ("LTG"). LTG is largely focused on the movement of physical commodities, including grain and ethanol and is exposed to some of the same risks as the Company's grain and ethanol businesses. LTG also trades in commodities that the Company's grain and ethanol businesses do not trade in, some of which are not exchange traded. This investment provides the Company with further opportunity to diversify and complement its income through activity outside of its traditional product and geographic regions. This investment is accounted for under the equity method. The Company, along with LTG, also established joint ventures and purchased a grain and food-bean handler and agronomy input provider with 12 locations across Ontario, Canada and Minnesota. These investments are accounted for under the equity method. The Company periodically enters into transactions with these joint ventures as disclosed in Note 12 to the Consolidated Financial Statements in Item 8.

Ethanol Group

The Ethanol Group has ownership interests in four Limited Liability Companies ("the ethanol LLCs" or "LLCs"). Each of the LLCs owns an ethanol plant that is operated by the Company's Ethanol Group. The plants are located in Iowa, Indiana, Michigan, and Ohio and have combined nameplate capacity of 330 million gallons of ethanol. The Group purchases and sells ethanol, offers facility operations, risk management, and ethanol and corn oil marketing services to the ethanol plants it invests in and operates.

The Company holds an 85% interest in The Andersons Denison Ethanol LLC ("TADE"), which is a consolidated entity that was acquired on May 1, 2012. The Company holds a 55% interest in The Andersons Albion Ethanol LLC ("TAAE") and a 39% interest in The Andersons Clymers Ethanol LLC ("TACE"). The Company holds a 50% interest in The Andersons Marathon Ethanol LLC ("TAME") through its majority owned subsidiary The Andersons Ethanol Investment LLC ("TAEI"). A third party owns 34% of TAEI. All operating ethanol LLC investments, except TADE, are accounted for using the equity method of accounting.

The Company has a management agreement with each of the LLCs. As part of these agreements, the Ethanol Group runs the day-to-day operations of the plants and provides all administrative functions. The Company is compensated for these services based on a fixed cost plus an indexed annual increase determined by a consumer price index. Additionally, the Company has entered into agreements with each of the unconsolidated LLCs under which it has the exclusive right to act as supplier for

100% of the corn used by the LLCs in the production of ethanol. For this service, the Company receives a fee for each bushel of corn sold. The Company has entered into marketing agreements with each of the ethanol LLCs. Under the ethanol marketing agreements, the Company purchases 100% of the ethanol produced by TAAE, TACE and TADE and 50% of the ethanol produced by TAME at the same price it will resell the ethanol to external customers. The Ethanol Group receives a fee for each gallon of ethanol sold to external customers sourced from these LLCs. Under the distillers dried grains ("DDG") and corn oil marketing agreements, the Company markets the DDG and corn oil and receives a fee on units sold.

Plant Nutrient Group

The Plant Nutrient Group is a leading manufacturer, distributor and retailer of agricultural and related plant nutrients, corn-cob-based products, and pelleted lime and gypsum products in the U.S. Corn Belt, Florida and Puerto Rico. The Group provides warehousing, packaging and manufacturing services to basic nutrient producers and other distributors. The Group also manufactures and distributes a variety of industrial products throughout the U.S. and Puerto Rico including nitrogen reagents for air pollution control systems used in coal-fired power plants, and water treatment and dust abatement products.

In its plant nutrient businesses, the Company competes with regional and local cooperatives, wholesalers and retailers, predominantly publicly owned manufacturers and privately owned retailers, wholesalers and importers. Some of these competitors are also suppliers and have considerably larger resources than the Company. Competition in the nutrient business is based largely on depth of product offering, price, location and service. Sales and warehouse shipments of agricultural nutrients are heaviest in the spring and fall.

Wholesale Nutrients - The Wholesale Nutrients business manufactures, stores, and distributes dry and liquid agricultural nutrients, and pelleted lime and gypsum products annually. The major nutrient products sold by the business principally contain nitrogen, phosphate, potassium and sulfur. Product lines include base nutrients which are typically bought and sold as commodities and value add products which support more sustainable farming practices and command higher margins. The distribution and sales channels for both types of nutrients are shared within the Wholesale Nutrients business.

Farm Centers - The Farm Centers offer a variety of essential crop nutrients, crop protection chemicals and seed products in addition to application and agronomic services to commercial and family farmers. Soil and tissue sampling along with global satellite assisted services provide for pinpointing crop or soil deficiencies and prescriptive agronomic advice is provided to farmers.

Cob Products - Corn-cob-based products are manufactured for a variety of uses including laboratory animal bedding and private-label cat litter, as well as absorbents, blast cleaners, carriers and polishers. The products are distributed throughout the United States and Canada and into Europe and Asia. The principal sources for corn-cobs are seed corn producers.

Turf Products - Proprietary professional turf care products are produced for the golf course and professional turf care markets, serving both U.S. and international customers. These products are sold both directly and through distributors to golf courses and lawn service applicators. The Company also produces and sells fertilizer and control products to various markets.

Rail Group

The Company's Rail Group leases, repairs, and sells various types of railcars, locomotives and barges. In addition, the Rail Group offers fleet management services to private railcar owners.

The Company has a diversified fleet of car types (boxcars, gondolas, covered and open top hopper cars, tank cars and pressure differential cars), locomotives and barges serving a broad customer base. The Company operates in both the new and used car markets, allowing the Company to diversify its fleet both in terms of car types, industries and age of cars, as well as repairing and refurbishing used cars for specific markets and customers.

A significant portion of the railcars, locomotives and barges managed by the Company are included on the balance sheet as long-lived assets. The others are either in off-balance sheet operating leases (with the Company leasing assets from financial intermediaries and leasing those same assets to the end-users) or non-recourse arrangements (in which the Company is not subject to any lease arrangement related to the assets, but provides management services to the owner of the assets). The Company generally holds purchase options on most assets owned by financial intermediaries. We are under contract to provide maintenance services for many of the Rail Group assets that we own or manage. Refer to the Off-Balance Sheet Transactions section of Management's Discussion and Analysis for a breakdown of our railcar, locomotive and barge positions at December 31, 2016.

In the case of our off-balance sheet Rail Group assets, the Company's risk management philosophy is to match-fund the lease commitments where possible. Match-funding (in relation to lease transactions) means matching the terms of the financial intermediary funding arrangement with the lease terms of the customer where the Company is both lessee and sublessor. If the Company is unable to match-fund, it will attempt to get an early buyout provision within the funding arrangement to match the underlying customer lease. The Company does not attempt to match-fund lease commitments for Rail Group assets that are on our balance sheet.

Competition for marketing and fleet maintenance services is based primarily on price, service ability, and access to both used equipment and third-party financing. Repair facility competition is based primarily on price, quality and location.

Retail Group

The Company's Retail Group includes large retail stores operated as "The Andersons," which are located in the Columbus and Toledo, Ohio markets. The retail concept is *A Store Like No Other* and the stores focus on providing significant product breadth with offerings in home improvement and other mass merchandise categories as well as specialty foods, wine and indoor and outdoor garden centers. Each store has 100,000 square feet or more of in-store display space plus 40,000 or more square feet of outdoor garden center space, and features do-it-yourself clinics, special promotions and varying merchandise displays. The majority of the Company's non-perishable merchandise is received at a distribution center located in Maumee, Ohio.

In January 2017, the Company announced the decision to close all remaining retail operations in the first half of 2017.

Employees

The Andersons offers a broad range of full-time and part-time career opportunities. Each position in the Company is important to our success, and we recognize the worth and dignity of every individual. We strive to treat each person with respect and utilize his or her unique talents. At December 31, 2016, the Company had 2,176 full-time and 822 part-time or seasonal employees.

Government Regulation

Grain sold by the Company must conform to official grade standards imposed under a federal system of grain grading and inspection administered by the United States Department of Agriculture ("USDA").

The production levels, markets and prices of the grains that the Company merchandises are affected by United States government programs, which include acreage control and price support programs of the USDA. In regards to our investments in ethanol production facilities, the U.S. government has mandated a ten percent blend for motor fuel gasoline sold.

The U.S. Food and Drug Administration ("FDA") has developed bioterrorism prevention regulations for food facilities, which require that we register our grain operations with the FDA, provide prior notice of any imports of food or other agricultural commodities coming into the United States and maintain records to be made available upon request that identifies the immediate previous sources and immediate subsequent recipients of our grain commodities.

The Company, like other companies engaged in similar businesses, is subject to a multitude of federal, state and local environmental protection laws and regulations including, but not limited to, laws and regulations relating to air quality, water quality, pesticides and hazardous materials. The provisions of these various regulations could require modifications of certain of the Company's existing facilities and could restrict the expansion of future facilities or significantly increase the cost of their operations. Compliance with environmental laws and regulations did not materially affect our earnings or competitive position in 2016.

In addition, the Company continues to assess the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and has concluded that the Company is not a major swap dealer or major swap participant. New federal regulations, studies and reports addressing all of the major areas of the new law, including the regulation of swaps and derivatives, are in the process of being finalized and adopted and we will continue to monitor these developments.

Available Information

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available on our Company website soon after filing with the Securities and Exchange Commission. Our Company

website is <http://www.andersonsinc.com>. The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These reports are also available at the SEC's website: <http://www.sec.gov>.

Item 1A. Risk Factors

Our operations are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this Form 10-K and could have a material adverse impact on our financial results. These risks can be impacted by factors beyond our control as well as by errors and omissions on our part. The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained elsewhere in this Form 10-K.

Certain of our business segments are affected by the supply and demand of commodities, and are sensitive to factors outside of our control. Adverse price movements could negatively affect our profitability and results of operations.

Our Grain, Ethanol and Plant Nutrient businesses buy, sell and hold inventories of agricultural input and output commodities, some of which are readily traded on commodity futures exchanges. Unfavorable weather conditions, both local and worldwide, as well as other factors beyond our control, can affect the supply and demand of these commodities and expose us to liquidity pressures to finance hedges in the grain business in rapidly rising markets. In our Plant Nutrient business, changes in the supply and demand of these commodities can also affect the value of inventories that we hold, as well as the price of raw materials as we are unable to effectively hedge these commodities. Increased costs of inventory and prices of raw material would decrease our profit margins and adversely affect our results of operations.

Corn - The principal raw material that the ethanol LLCs use to produce ethanol and co-products is corn. As a result, an increase in the price of corn in the absence of a corresponding increase in petroleum based fuel prices will typically decrease ethanol margins thus adversely affecting financial results in the ethanol LLCs. At certain levels, corn prices may make ethanol uneconomical to produce for fuel markets. The price of corn is influenced by weather conditions and other factors affecting crop yields, shift in acreage allocated to corn versus other major crops and general economic and regulatory factors. These factors include government policies and subsidies with respect to agriculture and international trade, and global and local demand and supply. The significance and relative effect of these factors on the price of corn is difficult to predict. Any event that tends to negatively affect the supply of corn, such as adverse weather or crop disease, could increase corn prices and potentially harm our income generated from our investments in ethanol LLCs. In addition, we may also have difficulty, from time to time, in physically sourcing corn on economical terms due to supply shortages. High costs or shortages could require us to suspend ethanol operations until corn is available on economical terms, which would have an adverse effect on operating results.

Grains - While we attempt to manage the risk associated with commodity price changes for our grain inventory positions with derivative instruments, including purchase and sale contracts, we are unable to offset 100% of the price risk of each transaction due to timing, availability of futures and options contracts and third-party credit risk. Furthermore, there is a risk that the derivatives we employ will not be effective in offsetting all of the risks that we are trying to manage. This can happen when the derivative and the underlying value of grain inventories and purchase and sale contracts are not perfectly matched. Our grain derivatives, for example, do not perfectly correlate with the basis component of our grain inventory and contracts. (Basis is defined as the difference between the local cash price of a commodity and the corresponding exchange-traded futures price.) Differences can reflect time periods, locations or product forms. Although the basis component is smaller and generally less volatile than the futures component of our grain market price, basis moves on a large grain position can significantly impact the profitability of the Grain business.

Our futures, options and over-the-counter contracts are subject to margin calls. If there are large movements in the commodities market, we could be required to post significant levels of margin, which would impact our liquidity. There is no assurance that the efforts we have taken to mitigate the impact of the volatility of the prices of commodities upon which we rely will be successful and any sudden change in the price of these commodities could have an adverse effect on our business and results of operations.

Natural Gas - We rely on third parties for our supply of natural gas, which is consumed in the drying of wet grain, manufacturing of certain turf products, pelleted lime and gypsum, and manufacturing of ethanol within the LLCs. The prices for and availability of natural gas are subject to market conditions. These market conditions often are affected by factors beyond our control such as higher prices resulting from colder than average weather conditions and overall economic conditions. Significant disruptions in the supply of natural gas could impair the operations of the ethanol facilities.

Furthermore, increases in natural gas prices or changes in our natural gas costs relative to natural gas costs paid by competitors may adversely affect future results of operations and financial position.

Gasoline and oil - We market ethanol as a fuel additive to reduce vehicle emissions from gasoline, as an octane enhancer to improve the octane rating of gasoline with which it is blended and as a substitute for petroleum based gasoline. As a result, ethanol prices will be influenced by the supply and demand for gasoline and oil and our future results of operations and financial position may be adversely affected if gasoline and oil demand or price changes.

Potash, phosphate and nitrogen - Raw materials used by the Plant Nutrient business include potash, phosphate and nitrogen, for which prices can be volatile driven by global and local supply and demand factors. Significant increases in the price of these commodities may result in lower customer demand and higher than optimal inventory levels. In contrast, reductions in the price of these commodities may create lower-of-cost-or-market adjustments to inventories.

Some of our business segments operate in highly regulated industries. Changes in government regulations or trade association policies could adversely affect our results of operations.

Many of our business segments are subject to government regulation and regulation by certain private sector associations, compliance with which can impose significant costs on our business. Other regulations are applicable generally to all our businesses and corporate functions, including, without limitation, those promulgated under the Internal Revenue Code, the Affordable Care Act, the Employee Retirement Income Security Act (ERISA) and other employment and health care related laws, federal and state securities laws, and the US Patriot Act. Failure to comply with such regulations can result in additional costs, fines or criminal action.

A significant part of our operations is regulated by environmental laws and regulations, including those governing the labeling, use, storage, discharge and disposal of hazardous materials. Because we use and handle hazardous substances in our businesses, changes in environmental requirements or an unanticipated significant adverse environmental event could have an adverse effect on our business. We cannot assure that we have been, or will at all times be, in compliance with all environmental requirements, or that we will not incur costs or liabilities in connection with these requirements. Private parties, including current and former employees, could bring personal injury or other claims against us due to the presence of, or exposure to, hazardous substances used, stored or disposed of by us, or contained in our products. We are also exposed to residual risk because some of the facilities and land which we have acquired may have environmental liabilities arising from their prior use. In addition, changes to environmental regulations may require us to modify our existing plant and processing facilities and could significantly increase the cost of those operations.

Grain and Ethanol businesses - In our Grain and Ethanol businesses, agricultural production and trade flows can be affected by government programs and legislation. Production levels, markets and prices of the grains we merchandise can be affected by U.S. government programs, which include acreage controls and price support programs administered by the USDA and required levels of ethanol in gasoline through the Renewable Fuel Standards as administered by the EPA. Other examples of government policies that can have an impact on our business include tariffs, duties, subsidies, import and export restrictions and outright embargoes. Because a portion of our grain sales are to exporters, the imposition of export restrictions and other foreign countries' regulations could limit our sales opportunities and create additional credit risk associated with export brokers if shipments are rejected at their destination.

The compliance burden and impact on our operations and profitability as a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act and related regulations have imposed additional regulatory tasks which took effect in 2014, although the full burden of the Act is not yet fully-known as regulatory rule making is not yet completed. These efforts to change the regulation of financial markets may subject users of derivatives to extensive oversight and regulation by the Commodities Futures Trading Commission (CFTC). Such initiatives could impose significant additional costs on us, including operating and compliance costs, and could materially affect the availability, as well as the cost and terms, of certain transactions. New federal regulations have come into effect, while other anticipated regulations, studies and reports, including the regulation of swaps and derivatives, are still in the process of being finalized and adopted and we will continue to monitor these developments. Any of these matters could have an adverse effect on our business, financial condition, liquidity, results of operations and prospects.

Rail - Our Rail business is subject to regulation by the American Association of Railroads and the Federal Railroad Administration. These agencies regulate rail operations with respect to health and safety matters. New regulatory rulings could negatively impact financial results through higher maintenance costs or reduced economic value of railcar assets.

The Rail business is also subject to risks associated with the demands and restrictions of the Class I railroads, a group of rail companies owning a high percentage of the existing rail lines. These companies exercise a high degree of control over whether private railcars can be allowed on their lines and may reject certain railcars or require maintenance or improvements to the railcars. This presents risk and uncertainty for our Rail business and it can increase maintenance costs. In addition, a shift in the railroads' strategy to investing in new rail cars and improvements to existing railcars, instead of investing in locomotives and infrastructure, could adversely impact our business by causing increased competition and creating an oversupply of railcars. Our rail fleet consists of a range of railcar types (boxcars, gondolas, covered and open top hoppers, tank cars and pressure differential cars) and locomotives. However, a large concentration of a particular type of railcar could expose us to risk if demand were to decrease for that railcar type. Failure on our part to identify and assess risks and uncertainties such as these could negatively impact our business.

Similarly, our marine assets and operations are subject to rules and regulations relating to safety, citizenship, emissions, ballast discharges, and other environmental and operational matters enforced by various federal and state agencies, including the Maritime Administration of the U.S. Department of Transportation, the U.S. Coast Guard, and the U.S. Environmental Protection Agency ("EPA"). If we fail to comply with these rules and regulations, we could be prohibited from operating or leasing marine assets in the U.S. market, and under certain circumstances, could incur severe fines and penalties, including potential limitations on operations or forfeitures of assets.

Plant Nutrient - Our Plant Nutrient business manufactures certain agricultural nutrients and uses potentially hazardous materials. All products containing pesticides, fungicides and herbicides must be registered with the EPA and state regulatory bodies before they can be sold. The inability to obtain or the cancellation of such registrations could have an adverse impact on our business. In the past, regulations governing the use and registration of these materials have required us to adjust the raw material content of our products and make formulation changes. Future regulatory changes may have similar consequences. Regulatory agencies, such as the EPA, may at any time reassess the safety of our products based on new scientific knowledge or other factors. If it were determined that any of our products were no longer considered to be safe, it could result in the amendment or withdrawal of existing approvals, which, in turn, could result in a loss of revenue, cause our inventory to become obsolete or give rise to potential lawsuits against us. Consequently, changes in existing and future government or trade association policies may restrict our ability to do business and cause our financial results to suffer.

We are required to carry significant amounts of inventory across all of our businesses. If a substantial portion of our inventory becomes damaged or obsolete, its value would decrease and our profit margins would suffer.

We are exposed to the risk of a decrease in the value of our inventories due to a variety of circumstances in all of our businesses. For example, within our Grain and Ethanol businesses, there is the risk that the quality of our grain inventory could deteriorate due to damage, moisture, insects, disease or foreign material. If the quality of our grain were to deteriorate below an acceptable level, the value of our inventory could decrease significantly. In our Plant Nutrient business, planted acreage, and consequently the volume of fertilizer and crop protection products applied, is partially dependent upon government programs and the producer's perception of demand. Technological advances in agriculture, such as genetically engineered seeds that resist disease and insects, or that meet certain nutritional requirements, could also affect the demand for our crop nutrients and crop protection products. Either of these factors could render some of our inventory obsolete or reduce its value. Within our rail repair business, major design improvements to loading, unloading and transporting of certain products can render existing (especially old) equipment obsolete.

Our substantial indebtedness could negatively affect our financial condition, decrease our liquidity and impair our ability to operate the business.

If cash on hand is insufficient to pay our obligations or margin calls as they come due at a time when we are unable to draw on our credit facility, it could have an adverse effect on our ability to conduct our business. Our ability to make payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. Our ability to generate cash is dependent on various factors. These factors include general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Certain of our long-term borrowings include provisions that require minimum levels of working capital and equity, and impose limitations on additional debt. Our ability to satisfy these provisions can be affected by events beyond our control, such as the demand for and the fluctuating price of grain. Although we are and have been in compliance with these provisions, noncompliance could result in default and acceleration of long-term debt payments.

We face increasing competition and pricing pressure from other companies in our industries. If we are unable to compete effectively with these companies, our sales and profit margins would decrease, and our earnings and cash flows would be adversely affected.

The markets for our products in each of our business segments are highly competitive. While we have substantial operations in our region, some of our competitors are significantly larger, compete in wider markets, have greater purchasing power, and have considerably larger financial resources. We also may enter into new markets where our brand is not recognized and in which we do not have an established customer base. Competitive pressures in all of our businesses could affect the price of, and customer demand for, our products, thereby negatively impacting our profit margins and resulting in a loss of market share.

Our grain and ethanol businesses use derivative contracts to reduce volatility in the commodity markets. Non-performance by the counter-parties to those contracts could adversely affect our future results of operations and financial position.

A significant amount of our grain and ethanol purchases and sales are done through forward contracting. In addition, the Company uses exchange traded and to a lesser degree over-the-counter contracts to reduce volatility in changing commodity prices. A significant adverse change in commodity prices could cause a counter-party to one or more of our derivative contracts to not perform on their obligation.

Our grain, ethanol, and plant nutrient businesses are geographically concentrated in the Eastern Corn Belt. Localized weather and other market factors may have a disproportionate impact on our business compared to our competitors.

A significant portion of the assets in the Company have exposure to conditions in the Eastern Corn Belt. In this region, adverse weather during the fertilizer application, planting, and harvest seasons can have negative impacts on our Grain and Plant Nutrient businesses. Higher basis levels in the Eastern Corn Belt can increase the input costs of our Ethanol facilities relative to other market participants that do not have the same geographic concentration.

We rely on a limited number of suppliers for certain of our raw materials and other products and the loss of one or several of these suppliers could increase our costs and have a material adverse effect on any one of our business segments.

We rely on a limited number of suppliers for certain of our raw materials and other products. If we were unable to obtain these raw materials and products from our current vendors, or if there were significant increases in our supplier's prices, it could significantly increase our costs and reduce our profit margins.

Our investments in limited liability companies and equity method investments are subject to risks beyond our control.

We currently have investments in numerous limited liability companies. By operating a business through this arrangement, we do not have control over operating decisions as we would if we owned the business outright. Specifically, we cannot act on major business initiatives without the consent of the other investors, who may not always be in agreement with our ideas.

The Company may not be able to effectively integrate future businesses it acquires.

We continuously look for opportunities to enhance our existing businesses through strategic acquisitions. The process of integrating an acquired business into our existing business and operations may result in unforeseen operating difficulties and expenditures as well as require a significant amount of management resources. There is also the risk that our due diligence efforts may not uncover significant business flaws or hidden liabilities. In addition, we may not realize the anticipated benefits of an acquisition and they may not generate the anticipated financial results. Additional risks may include the inability to effectively integrate the operations, products, technologies and personnel of the acquired companies. The inability to maintain uniform standards, controls, procedures and policies would also negatively impact operations.

Our business involves considerable safety risks. Significant unexpected costs and liabilities would have an adverse effect on our profitability and overall financial position.

Due to the nature of some of the businesses in which we operate, we are exposed to significant operational hazards such as grain dust explosions, fires, malfunction of equipment, abnormal pressures, blowouts, pipeline and tank ruptures, chemical spills or run-off, transportation accidents and natural disasters. Some of these operational hazards may cause personal injury or loss of life, severe damage to or destruction of property and equipment or environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties. If grain dust were to explode at one of our elevators or if one of our pieces of equipment were to fail or malfunction due to an accident or improper maintenance, it could put our employees and others at serious risk.

The Company's information technology systems may impose limitations or failures, or may face external threats, which may affect the Company's ability to conduct its business.

The Company's information technology systems, some of which are dependent on services provided by third parties, provide critical data connectivity, information and services for internal and external users. These interactions include, but are not limited to, ordering and managing materials from suppliers, converting raw materials to finished products, inventory management, shipping products to customers, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, human resources and other processes necessary to manage the business. The Company has put in place business continuity plans for its critical systems. However, if the Company's information technology systems are damaged, or cease to function properly due to any number of causes, such as catastrophic events or power outages, and the Company's business continuity plans do not effectively recover on a timely basis, the Company may suffer interruptions in the ability to manage its operations, which may adversely impact the Company's revenues and operating results. Our security measures may also be breached due to employee error, malfeasance, or otherwise. In addition, although the systems have been refreshed periodically, portions of the infrastructure are outdated and may not be adequate to support new business processes, accounting for new transactions, or implementation of new accounting standards if requirements are complex or materially different than what is currently in place.

Additionally, outside parties may attempt to destroy critical information, or fraudulently induce employees, third-party service providers, or users to disclose sensitive information in order to gain access to our data or our users' data. As a response, the Company requires user names and passwords in order to access its information technology systems. The Company also uses encryption and authentication technologies designed to secure the transmission and storage of data and prevent access to Company data or accounts. On an annual basis, these technologies and processes that relate to credit card information are reviewed by a third-party Payment Card Industry qualified security assessor. As with all companies, these security measures are subject to third-party security breaches, employee error, malfeasance, faulty password management, or other irregularities. We cannot assure our ability to prevent, repel or mitigate the effects of such an attack by outside parties. The Company relies on third parties to maintain and process certain information which could be subject to breach or unauthorized access to Company or employee information. Any such breach or unauthorized access could result in an inability to perform critical functions, significant legal and financial exposure, damage to our reputation, and a loss of confidence in the security of our services that could potentially have an adverse effect on our business.

The Company's design and implementation of a new Enterprise Resource Planning system could face significant difficulties.

In early 2012, the Company began the design and implementation of a new Enterprise Resource Planning ("ERP") system, requiring significant capital and human resources to deploy. The system will be more expensive and take longer to fully implement than originally planned, including increased capital investment, higher fees and expenses of third parties, delayed deployment scheduling, and more on-going maintenance expense once implemented. The ultimate costs and schedules are not yet known. If for any reason this implementation is not successful, the Company could be required to expense rather than capitalize related amounts. Beyond cost and scheduling, potential flaws in the implementation of an ERP system may pose risks to the Company's ability to operate successfully and efficiently. These risks include, without limitation, inefficient use of employees, distractions to the Company's core businesses, adverse customer reactions, loss of key information, delays in decision making, as well as unforeseen additional costs due to the inability to integrate vital information processes.

Unauthorized disclosure of sensitive or confidential customer information could harm the Company's business and standing with our customers.

The protection of our customer, employee and Company data is critical to us. The Company relies on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as payment card and personal information. Despite the security measures the Company has in place, its facilities and systems, and those of its third-party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by the Company or its vendors, could damage our reputation, expose us to risk of litigation and liability, disrupt our operations and harm our business.

Item 1B. Unresolved Staff Comments

The Company has no unresolved staff comments.

Item 2. Properties

The Company's principal agriculture, rail, retail and other properties are described below.

Agriculture Facilities

(in thousands) Location	Grain Storage (bushels)	Agricultural Fertilizer	
		Dry Storage (tons)	Liquid Storage (tons)
Canada	140	—	—
Florida	—	3	22
Illinois	10,831	55	11
Indiana	26,544	145	141
Iowa	2,600	—	69
Michigan	28,789	70	48
Minnesota	—	—	47
Nebraska	12,272	—	45
Ohio	42,483	186	65
Puerto Rico	—	—	23
Tennessee	16,135	—	—
Texas	1,412	—	—
Wisconsin	—	29	77
	141,206	488	548

The grain facilities are mostly concrete and steel tanks, with some flat storage, which is primarily cover-on-first temporary storage. The Company also owns grain inspection buildings and dryers, maintenance buildings and truck scales and dumps. Approximately 90% of the total storage capacity is owned, while the remaining 10% of the total capacity is leased from third parties.

The Plant Nutrient Group's wholesale nutrient and farm center properties consist mainly of fertilizer warehouse and formulation and packaging facilities for dry and liquid fertilizers. The Company owns 98% of the dry and liquid storage facilities.

Retail Store Properties

Name	Location	Square Feet
Maumee Store	Maumee, OH	166,000
Toledo Store	Toledo, OH	162,000
Sawmill Store	Columbus, OH	169,000
Brice Store	Columbus, OH	159,000
Distribution Center (1)	Maumee, OH	245,000

(1) Facility leased

The lease for the distribution center is an operating lease with several renewal options and provides for minimum aggregate annual lease payments approximating \$0.8 million for 2017. This lease expires in 2018 and we do not intend to renew it.

In January 2017, the Company announced the planned closure of all four retail stores in the first half of 2017. These properties are owned by the Company so no lease termination charges apply. These properties will continue to be held until suitable buyers can be identified or alternate uses can be found.

Other Properties

The Company owns an ethanol facility in Denison, Iowa with a nameplate capacity of 55 million gallons. The Company owns lawn fertilizer production facilities in Maumee, Ohio, Bowling Green, Ohio, Montgomery, Alabama, and Mocksville, North Carolina. It also owns a corn cob processing and storage facility in Delphi, Indiana and two cob facilities located in Central Illinois which were closed in the fourth quarter of 2016. The Company leases a lawn fertilizer warehouse facility in Toledo,

Ohio. The Company operates 16 railcar repair facilities and one fabrication shop throughout the country, primarily in the Midwest, South, and West.

The Company also owns an auto service center that is leased to its former venture partner. The Company's administrative office building is leased under a build-to-suit financing arrangement. The lease on our previous administrative building expired at the end of 2016. The Company owns approximately 2,084 acres of land on which the above properties and facilities are located and approximately 412 acres of farmland and land held for future use.

The Company believes that its properties are adequate for its business, well maintained and utilized, suitable for their intended uses and adequately insured.

Item 3. Legal Proceedings

The Company is currently subject to various claims and suits arising in the ordinary course of business, which include environmental issues, employment claims, contractual disputes, and defensive counter claims. The Company accrues liabilities where litigation losses are deemed probable and estimable. The Company believes it is unlikely that the results of its current legal proceedings, even if unfavorable, will be materially different from what it currently has accrued. There can be no assurance, however, that any claims or suits arising in the future, whether taken individually or in the aggregate, will not have a material adverse effect on our financial condition or results of operations.

Item 4. Mine Safety

Not applicable.

Executive Officers of the Registrant

The information is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K. The executive officers of The Andersons, Inc., their positions and ages (as of March 1, 2017) are presented in the table below.

Name	Position	Age	Year Assumed
Daniel T. Anderson	President, Retail Group President, Retail Group and Vice President, Corporate Operations Services	61	2015 2009
Valerie Blanchett	Vice President, Human Resources Vice President, Human Resources, Food Ingredients and Systems (Cargill)	55	2016 2010
Patrick E. Bowe	President and Chief Executive Officer Corporate Vice President, Food Ingredients and Systems (Cargill)	58	2015 2007
Naran U. Burchinow	Senior Vice President, General Counsel and Secretary	63	2005
James C. Burmeister	Vice President, Finance and Treasurer Vice President of Finance, Roofing and Asphalt Business (Owens-Corning) Vice President, Internal Audit (Owens-Corning)	49	2015 2013 2011
John Granato	Chief Financial Officer Principal - Finance & Operations (Global Infrastructure Partners)	51	2012 2009
Michael S. Irmen	President, Ethanol Group Vice President and General Manager, Ethanol Group Vice President, Commodities and Risk, Ethanol Group	63	2016 2015 2012
Corbett Jorgenson	President, Grain Group Vice President, Transportation and Logistics Americas (Cargill) Senior Vice President, Commercial Lead, AgHorizons USA (Cargill)	42	2016 2015 2014
Anthony Lombardi	Chief Information Officer Vice President, Global Business Services and Chief Information Officer (Armstrong World Industries)	58	2016 2010
Anne G. Rex	Vice President, Corporate Controller Assistant Controller	52	2012 2002
Rasesh H. Shah	President, Rail Group	62	1999
Tamara S. Sparks	Vice President, Financial Planning & Analysis Vice President, Corporate Business /Financial Analysis	48	2015 2007
William J. Wolf	President, Plant Nutrient Group Vice President of Supply & Merchandising, Plant Nutrient Group	59	2012 2008

Part II.

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The Common Shares of The Andersons, Inc. trade on the Nasdaq Global Select Market under the symbol "ANDE." On February 18, 2014, the Company effected a three-for-two stock split to its outstanding shares as of January 21, 2014. All share, dividend and per share information set forth in this 10-K has been retroactively adjusted to reflect the stock split.

Shareholders

At February 13, 2017, there were approximately 28.2 million common shares outstanding, 1,244 shareholders of record and approximately 11,676 shareholders for whom security firms acted as nominees.

The following table sets forth the high and low bid prices for the Company's Common Shares for the four fiscal quarters in each of 2016 and 2015.

Quarter Ended	2016		2015	
	High	Low	High	Low
March 31	\$32.24	\$24.01	\$53.33	\$39.41
June 30	\$36.46	\$25.94	\$47.10	\$39.00
September 30	\$38.30	\$34.40	\$39.22	\$31.97
December 31	\$44.80	\$34.50	\$38.49	\$30.70

The Company's transfer agent and registrar is Computershare Investor Services, LLC, 2 North LaSalle Street, Chicago, IL 60602. Telephone: 312-588-4991.

Dividends

The Company has declared and paid consecutive quarterly dividends since the end of 1996, its first year of trading on the Nasdaq market. Dividends paid from January 2015 to January 2017 are as follows:

Payment Date	Amount
1/23/2015	\$0.1400
4/22/2015	\$0.1400
7/22/2015	\$0.1400
10/22/2015	\$0.1400
1/25/2016	\$0.1550
4/22/2016	\$0.1550
7/22/2016	\$0.1550
10/24/2016	\$0.1550
1/25/2017	\$0.1600

While the Company's objective is to pay a quarterly cash dividend, dividends are subject to Board of Director approval.

Equity Plans

The following table gives information as of December 31, 2016 about the Company's Common Shares that may be issued upon the exercise of options under all of its existing equity compensation plans.

Plan category	Equity Compensation Plan Information		
	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	969,457 ⁽¹⁾	\$ 35.33	945,367 ⁽²⁾
Equity compensation plans not approved by security holders	—	—	—

(1) This number includes 325,000 Non-Qualified Stock Options ("Options"), 117,868 total shareholder return-based performance share units, 303,854 earnings per share-based performance share units, and 222,735 restricted shares outstanding under The Andersons, Inc. 2014 Long-Term Performance Compensation Plan. This number does not include any shares related to the Employee Share Purchase Plan. The Employee Share Purchase Plan allows employees to purchase common shares at the lower of the market value on the beginning or end of the calendar year through payroll withholdings. These purchases are completed as of December 31.

(2) This number includes 137,394 Common Shares available to be purchased under the Employee Share Purchase Plan and 807,973 shares available under equity compensation plans.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In October 2014, the Board approved the repurchase of shares at a value not to exceed \$50.0 million. The Company repurchased approximately 1.2 million shares, exhausting the October 2014 authorization amount in 2015.

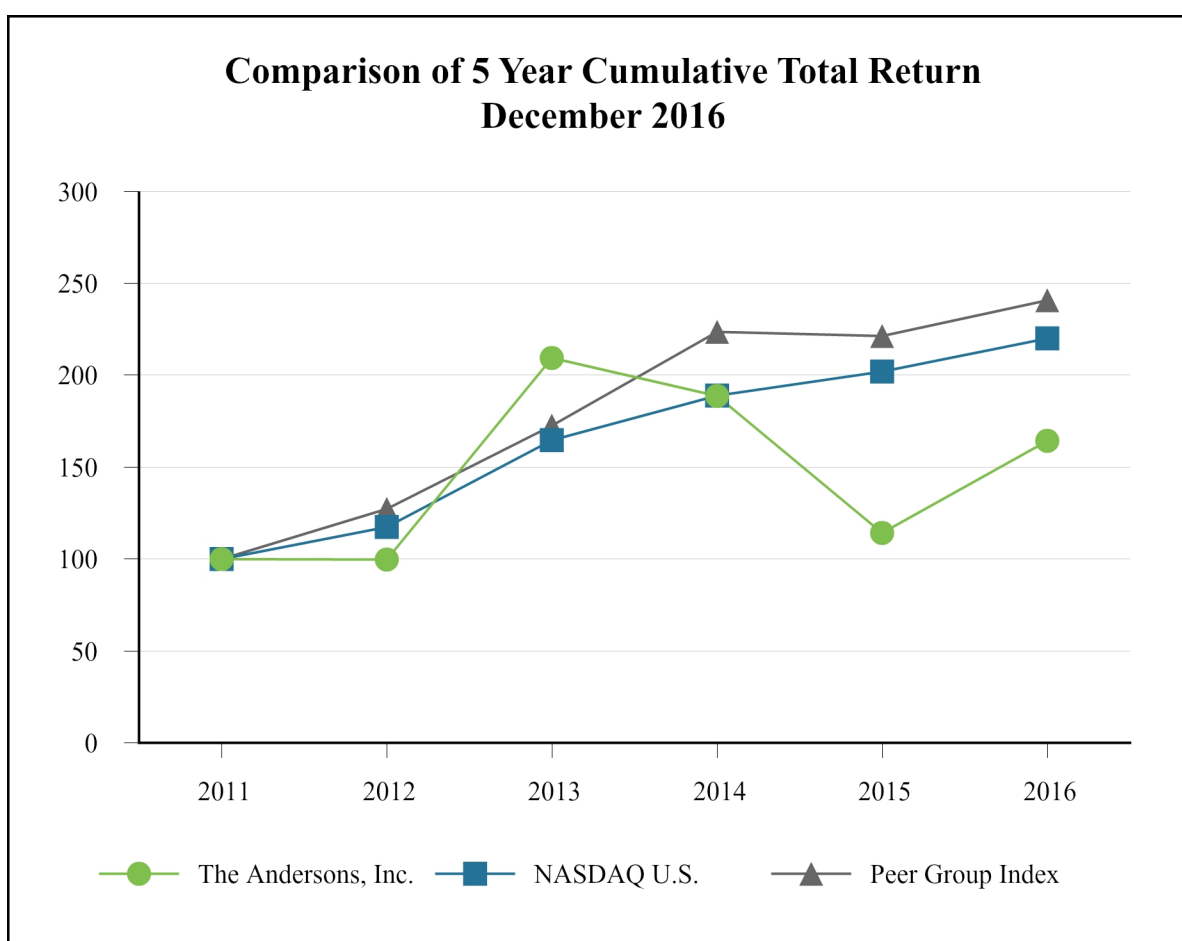
No shares were repurchased in 2016.

Performance Graph

The graph below compares the total shareholder return on the Corporation's Common Shares to the cumulative total return for the Nasdaq U.S. Index and a Peer Group Index. The indices reflect the year-end market value of an investment in the stock of each company in the index, including additional shares assumed to have been acquired with cash dividends, if any. The Peer Group Index, weighted for market capitalization, includes the following companies:

Agrium, Inc.	Lowe's Companies, Inc.
Archer-Daniels-Midland Co.	The Greenbrier Companies, Inc.
GATX Corp.	The Scott's Miracle-Gro Company
Ingredion Incorporated	

The graph assumes a \$100 investment in The Andersons, Inc. Common Shares on December 31, 2011 and also assumes investments of \$100 in each of the Nasdaq U.S. and Peer Group indices, respectively, on December 31 of the first year of the graph. The value of these investments as of the following calendar year-ends is shown in the table below the graph.



	Base Period		Cumulative Returns			
	December 31, 2011	2012	2013	2014	2015	2016
The Andersons, Inc.	\$ 100.00	\$ 99.69	\$ 209.39	\$ 188.75	\$ 114.18	\$ 164.28
NASDAQ U.S.	100.00	117.45	164.57	188.84	201.98	219.89
Peer Group Index	100.00	127.21	172.59	223.57	221.29	240.72

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial data of the Company. The data for each of the five years in the period ended December 31, 2016 are derived from the Consolidated Financial Statements of the Company. The data presented below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in Item 7, and the Consolidated Financial Statements and notes thereto included in Item 8.

(in thousands, except for per share and ratios and other data)

	For the years ended December 31,				
	2016	2015	2014	2013	2012
Operating results					
Sales and merchandising revenues (a)	\$ 3,924,790	\$ 4,198,495	\$ 4,540,071	\$ 5,604,574	\$ 5,272,010
Gross profit	345,506	375,838	397,139	365,225	358,005
Equity in earnings of affiliates	9,721	31,924	96,523	68,705	16,487
Other income, net (b)	14,775	46,472	31,125	14,876	14,725
Net income (loss)	14,470	(11,322)	122,645	95,702	75,565
Net income (loss) attributable to The Andersons, Inc.	11,594	(13,067)	109,726	89,939	79,480
Financial position					
Total assets	2,232,849	2,359,101	2,364,692	2,273,556	2,182,304
Working capital	258,350	241,485	226,741	229,451	304,346
Long-term debt (c)	397,065	436,208	298,638	371,150	407,176
Long-term debt, non-recourse (c)	—	—	—	4,063	20,067
Total equity	790,697	783,739	824,049	724,421	611,445
Cash flows / liquidity					
Cash flows from (used in) operations	39,585	154,134	(10,071)	337,188	328,482
Depreciation and amortization	84,325	78,456	62,005	55,307	48,977
Cash invested in acquisitions (d)	—	(128,549)	(20,037)	(15,252)	(220,257)
Purchase of investments (e)	(2,523)	(938)	(238)	(49,251)	—
Investments in property, plant and equipment	(77,740)	(72,469)	(59,675)	(46,786)	(69,274)
Net proceeds from (investment in) Rail Group assets (f)	(28,579)	(38,407)	(57,968)	4,648	(20,397)
EBITDA (g)	123,949	85,219	254,992	219,917	195,180
Per share data (h)					
Net income (loss) - basic	0.41	(0.46)	3.85	3.20	2.85
Net income (loss) - diluted	0.41	(0.46)	3.84	3.18	2.82
Dividends declared	0.6250	0.5750	0.4700	0.4300	0.4000
Year-end market value	44.70	31.63	53.14	59.45	28.60
Ratios and other data					
Net income attributable to The Andersons, Inc. return on beginning equity attributable to The Andersons, Inc.	1.5%	(1.6)%	15.6%	15.1%	15.2%
Funded long-term debt to equity ratio (i)	0.5-to-1	0.6-to-1	0.4-to-1	0.5-to-1	0.7-to-1
Weighted average shares outstanding (000's)	28,193	28,288	28,367	27,986	27,784
Effective tax rate	32.3%	2.1 %	33.4%	36.0%	37.1%

(a) Includes sales of \$854.6 million in 2016, \$872.1 million in 2015, \$1,064.4 million in 2014, \$1,333.2 million in 2013, and \$1,359.4 million in 2012 pursuant to marketing and origination agreements between the Company and the unconsolidated ethanol LLCs.

(b) Includes \$23.1 million for the gain on dilution and partial share redemption of the LTG investment in 2015 and \$17.1 million for the gain on partial share redemption of LTG in 2014.

(c) Excludes current portion of long-term debt. The increase in non-recourse debt in 2012 is related to the debt issued by TADE.

(d) During 2015, the Company acquired 100% of the stock of Kay Flo Industries, Inc. During 2012, the Company acquired the assets of Green Plains Grain, TADE, Mt. Pulaski and 100% of the stock of New Eezy Gro.

(e) During 2013, the Company and LTG established 50/50 joint ventures to acquire 100% of the stock of Thompsons Limited and its related U.S. operating company.

(f) Represents the net of purchases of Rail Group assets offset by proceeds on sales of Rail Group assets.

(g) Earnings before interest, taxes, depreciation and amortization, or EBITDA, is a non-GAAP measure. It is one of the measures the Company uses to evaluate its liquidity. The Company believes that EBITDA provides additional information important to investors and others

in determining its ability to meet debt service obligations. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations as determined by generally accepted accounting principles. EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements for debt service obligations or otherwise. Because EBITDA, as determined by the Company, excludes some, but not all, items that affect net income, it may not be comparable to EBITDA or similarly titled measures used by other companies.

(h) Earnings per share are calculated based on Income attributable to The Andersons, Inc.

(i) Calculated by dividing long-term debt by total year-end equity as stated under “Financial position.”

The following table sets forth (1) our calculation of EBITDA and (2) a reconciliation of EBITDA to our net cash flow provided by (used in) operations.

(in thousands)	For the years ended December 31,				
	2016	2015	2014	2013	2012
Net income (loss) attributable to The Andersons, Inc.	\$ 11,594	\$ (13,067)	\$ 109,726	\$ 89,939	\$ 79,480
Add:					
Provision for income taxes	6,911	(242)	61,501	53,811	44,568
Interest expense	21,119	20,072	21,760	20,860	22,155
Depreciation and amortization	84,325	78,456	62,005	55,307	48,977
EBITDA	123,949	85,219	254,992	219,917	195,180
Add/(subtract):					
Benefit (provision) for income taxes	(6,911)	242	(61,501)	(53,811)	(44,568)
Interest expense	(21,119)	(20,072)	(21,760)	(20,860)	(22,155)
Goodwill impairment	—	56,166	—	—	—
Asset impairment	9,107	285	3,090	—	—
Realized gains on Rail Group assets and related leases	(11,019)	(13,281)	(15,830)	(19,366)	(23,665)
Gain on sale of investments in affiliates	(685)	(22,881)	(17,055)	—	—
Deferred income taxes	6,030	27,279	21,815	40,374	16,503
Excess tax benefit from share-based payment arrangement	13	(1,299)	(1,806)	(1,001)	(162)
Equity in earnings of unconsolidated affiliates, net of distributions received	14,766	(677)	28,749	(50,953)	8,134
Noncontrolling interest in income (loss) of affiliates	2,876	1,745	12,919	5,763	(3,915)
Changes in working capital and other	(77,422)	41,408	(213,684)	217,125	203,130
Net cash provided by (used in) operations	\$ 39,585	\$ 154,134	\$ (10,071)	\$ 337,188	\$ 328,482

The Company has included its Computation of Earnings to Fixed Charges in Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 10-K as Exhibit 12.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements which relate to future events or future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by these forward-looking statements. You are urged to carefully consider these risks and factors, including those listed under Item 1A, "Risk Factors." In some cases, you can identify forward-looking statements by terminology such as "may," "anticipates," "believes," "estimates," "predicts," or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. These forward-looking statements relate only to events as of the date on which the statements are made and the Company undertakes no obligation, other than any imposed by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Executive Overview

Our operations are organized, managed and classified into five reportable business segments: Grain, Ethanol, Plant Nutrient, Rail, and Retail. Each of these segments is based on the nature of products and services offered.

The agricultural commodity-based business is one in which changes in selling prices generally move in relationship to changes in purchase prices. Therefore, increases or decreases in prices of the agricultural commodities that the business deals in will have a relatively equal impact on sales and cost of sales and a much less significant impact on gross profit. As a result, changes in sales for the period may not necessarily be indicative of the overall performance of the business and more focus should be placed on changes to gross profit.

Grain Group

Total grain storage capacity is approximately 150 million bushels as of December 31, 2016 compared to 164 million bushels at December 31, 2015. Storage decreased due to the sale of assets in Iowa during 2016. Grain inventories on hand at December 31, 2016 were 108.4 million bushels, of which 0.9 million bushels were stored for others. This compares to 119.8 million bushels on hand at December 31, 2015, of which 3.4 million bushels were stored for others.

2016 performance in the Grain Group reflected challenges in core grain assets, as well as lower returns from affiliates. The 2015 harvest saw significant challenges in the Eastern Corn Belt where many of our facilities are located and the limited opportunities for space income during the first nine months of 2016. In the fourth quarter of 2016, we saw significantly better production in our core regions which has allowed us to purchase grain at more typical prices.

Additionally, performance at one of our equity method grain affiliates was challenged due to weakness in the export market for DDGs as well as losses on trading positions during periods of market volatility in the first half of the year.

Corn acre planting estimates for 2017 are approximately 90 to 93 million acres, which is down modestly from the 94 million planted in 2016. Soybean acres to be planted are estimated at approximately 87 to 90 million acres, which is up compared to the 83 million planted in 2016. Additionally, we are expecting a decline in acres dedicated to wheat in 2017. The high wheat stocks on hand in domestic storage facilities, combined with wheat's ability to be stored for long periods of time have provided strong storage rates for the Company in 2016 which shifts incentive for production to other grains.

Assuming yields in the areas the Company does business are consistent with trends, this should create a good base for the Company's Grain Group in 2017 with combined corn and soybean acreage ranging from flat to a small increase. In 2017, our Grain Group will also continue its focus on driving profitable growth and enhancing risk management and grain marketing services.

Ethanol Group

The Ethanol Group continued to execute well, realizing high levels of production and exercising effective risk management throughout the year. Some weakness in margins on co-products, such as DDG, occurred in the second half of the year due to lower international demand as well as localized elevated levels of vomitoxin in the 2016 corn crop. Higher gasoline demand, improved demand and prices for DDG in relation to corn price, and an ample corn supply are factors that could potentially improve margins going into 2017.

Volumes shipped for the years ended December 31, 2016 and 2015 were as follows:

(in thousands)	Twelve months ended December 31,	
	2016	2015
Ethanol (gallons shipped)	295,573	301,009
E-85 (gallons shipped)	37,709	35,432
Corn Oil (pounds shipped)	14,794	15,557
DDG (tons shipped)	164	168

The above table shows only shipped volumes that flow through the Company's sales revenues. Total ethanol, DDG, and corn oil production by the unconsolidated LLCs are higher, however, the portion of this volume that is sold directly to their customers is excluded here.

Construction is nearing completion of a project to double the ethanol production capacity of our facility in Albion, Michigan. Albion is positioned in an attractive market for supply of corn and demand for ethanol. The group expects to complete the expansion on time and on budget in the first half of 2017.

Plant Nutrient Group

While the Plant Nutrient Group experienced a slight increase in volumes for the year, it was primarily due to activity from the first full year of sales following the acquisition of Kay Flo Industries, Inc. in the second quarter of 2015. Looking at second half sales between 2015 and 2016 which included the impact of this acquisition in both periods, sales volume declined approximately 7 percent.

Total storage capacity at our wholesale nutrient and farm center facilities was approximately 489 thousand tons for dry nutrients and approximately 547 thousand tons for liquid nutrients at December 31, 2016.

During the fourth quarter of 2016, the Plant Nutrient business closed one of its cob facilities in Mt. Pulaski, IL and recorded an asset impairment charge of approximately \$2.3 million.

We have seen modest signs of improvement in fertilizer shipments in the early weeks of 2017 compared to the prior year and anticipate this trend will continue if current expectations for the planting season are met.

Tons shipped by product line (including sales and service tons) for the years ended December 31, 2016 and 2015 were as follows:

(in thousands)	Twelve months ended December 31,	
	2016	2015
Wholesale Nutrients - Base Nitrogen, Phosphorus, Potassium (NPK)	1,246	1,234
Wholesale Nutrients - Value Add products	491	398
Other (Includes Farm Center, Turf, and Cob tons)	553	604
Total tons	2,290	2,236

Rail Group

The Rail Group experienced a decline in financial results from its base leasing business in 2016. This included the impact of higher than normal lease settlement activity in the previous year as well as decreases in lease utilization rates and higher storage costs on idle cars. Rail Group assets under management (owned, leased or managed for financial institutions in non-recourse arrangements) at December 31, 2016 were 23,236 compared to 23,180 at December 31, 2015. The average utilization rate (Rail Group assets under management that are in lease service, exclusive of those managed for third-party investors) is 87.8% for the year ended December 31, 2016 which is 4.6 percentage points lower than the prior year.

For the year ended December 31, 2016, Rail had gains on sales of Rail Group assets and related leases in the amount of \$11.0 million compared to \$13.3 million of gains on sales of Rail Group assets and related leases for the year ended December 31, 2015.

In 2017, the Group will continue to focus on ways to strategically grow the rail fleet in a challenged leasing environment and continue to look for opportunities to open new repair facilities and other adjacent businesses. We also anticipate future repair business related to new U.S. Department of Transportation rules affecting tank cars across the country.

Retail Group

The retail industry is highly competitive. Our stores compete with a variety of retail merchandisers, including home centers, department and hardware stores, as well as local and national grocers.

In January 2017, the Company announced that the Retail segment will be closed in the first half of 2017 and incurred asset impairment charges of \$6.5 million in the fourth quarter of 2016.

Other

Our “Other” represents corporate functions that provide support and services to the operating segments. The results contained within this group include expenses and benefits not allocated back to the operating segments, including a significant portion of our ERP project and the settlement charges from the termination of our defined benefit pension plan in 2015.

Operating Results

The following discussion focuses on the operating results as shown in the Consolidated Statements of Operations with a separate discussion by segment. Additional segment information is included in Note 13 to the Company's Consolidated Financial Statements in Item 8.

(in thousands)	Year ended December 31,		
	2016	2015	2014
Sales and merchandising revenues	\$ 3,924,790	\$ 4,198,495	\$ 4,540,071
Cost of sales and merchandising revenues	3,579,284	3,822,657	4,142,932
Gross profit	345,506	375,838	397,139
Operating, administrative and general expenses	318,395	337,829	315,791
Pension settlement	—	51,446	—
Asset impairment	9,107	285	3,090
Goodwill impairment	—	56,166	—
Interest expense	21,119	20,072	21,760
Equity in earnings of affiliates	9,721	31,924	96,523
Other income, net	14,775	46,472	31,125
Income (loss) before income taxes	21,381	(11,564)	184,146
Income attributable to noncontrolling interests	2,876	1,745	12,919
Income (loss) before income taxes attributable to The Andersons, Inc.	\$ 18,505	\$ (13,309)	\$ 171,227

Comparison of 2016 with 2015

Grain Group

(in thousands)	Year ended December 31,	
	2016	2015
Sales and merchandising revenues	\$ 2,357,171	\$ 2,483,643
Cost of sales and merchandising revenues	2,249,089	2,359,998
Gross profit	108,082	123,645
Operating, administrative and general expenses	112,507	121,833
Goodwill impairment	—	46,422
Interest expense	7,955	5,778
Equity in earnings of affiliates	(8,746)	14,703
Other income, net	5,472	26,229
Income (loss) before income taxes	(15,654)	(9,456)
Loss attributable to noncontrolling interests	(3)	(10)
Income (loss) before income taxes attributable to The Andersons, Inc.	\$ (15,651)	\$ (9,446)

Operating results for the Grain Group decreased \$6.2 million compared to full year 2015 results. Sales and merchandising revenues decreased \$126.5 million compared to 2015. This was partially offset by a decrease of cost of sales and merchandising revenues of \$110.9 million for a net unfavorable gross profit impact of approximately \$15.6 million. The decrease was driven by \$6.0 million in gross profit reduction from the 2016 sale of underperforming assets in Iowa as well as \$4.4 million of decrease in margins on sale of grain. We also saw a significant decline in opportunities for basis appreciation compared to 2015 for a negative gross profit variance of \$14.2 million compared to the prior year. This was caused by a poor harvest causing elevated basis levels in the fourth quarter of 2015. These items were partially offset by \$4.5 million of increased income from blending operations, \$3.9 million of increased earnings on risk management fees, and a \$1.7 million favorable variance on trading income.

Operating, administrative and general expenses were \$9.3 million lower than in 2015. The decrease was primarily due to \$8.2 million in reduced costs from the sale of Iowa facilities with cost reductions in labor and benefits at remaining facilities accounting for an additional \$1.7 million. The decreases were offset by \$2.7 million of additional allocation charges, including amortization and support costs for the company's new Enterprise Resource Planning system.

The Grain Group recognized a goodwill impairment charge of \$46.4 million in 2015 driven by compressed margins over the past several years and anticipated unfavorable operating conditions in domestic and global commodity markets, including oil and ethanol, as well as foreign currency exchange impacts.

Equity in earnings of affiliates decreased \$23.4 million due to the reduced operating results of Lansing Trade Group ("LTG") and Thompsons Limited. The declines were largely driven by reduced performance at LTG caused by historically soft margins at grain handling facilities. Also included in our equity results is a charge of \$1.5 million (our proportional share) related to an LTG debt refinancing completed in the fourth quarter of 2016. This refinancing should result in lower relative interest charges in future years.

Other income decreased \$20.3 million, which is attributable to a prior year gain of \$23.1 million from equity ownership transactions in LTG which reduced our ownership from 39 percent to 31 percent.

Ethanol Group

(in thousands)	Year ended December 31,	
	2016	2015
Sales and merchandising revenues	\$ 544,556	\$ 556,188
Cost of sales and merchandising revenues	524,252	531,864
Gross profit	20,304	24,324
Operating, administrative and general expenses	11,211	11,594
Interest expense	35	70
Equity in earnings of affiliates	18,467	17,221
Other income, net	77	377
Income before income taxes	27,602	30,258
Income attributable to noncontrolling interests	2,879	1,755
Income (loss) before income taxes attributable to The Andersons, Inc.	\$ 24,723	\$ 28,503

Operating results for the Ethanol Group decreased \$3.8 million from full year 2015 results. Sales and merchandising revenues decreased \$11.6 million which was partially offset by a decrease in cost of sales and merchandising revenues of \$7.6 million for a net gross profit impact of \$4.0 million. The decline in revenues and associated cost of sales is largely driven by a three percent decline in average ethanol sales price and a fifteen percent decline in average DDG sales price compared to the prior year. While corn and natural gas costs declined during the year, we also saw a nine percent decrease in DDG sales prices realized relative to the value of the corn feedstock. Marketing fees received from our joint venture due to a renegotiated operating agreement.

Equity in earnings of affiliates increased \$1.2 million from prior year and represents an increase in income from investments in three unconsolidated ethanol LLCs. Throughout the year, the ethanol facilities' productivity and output remained strong, and the increase in earnings is primarily attributable to modest increases in average margins compared to the prior year.

Plant Nutrient Group

(in thousands)	Year ended December 31,	
	2016	2015
Sales and merchandising revenues	\$ 725,176	\$ 848,338
Cost of sales and merchandising revenues	603,045	728,798
Gross profit	122,131	119,540
Operating, administrative and general expenses	102,892	105,478
Asset impairment	2,331	—
Goodwill impairment	—	9,744
Interest expense	6,448	7,243
Other income, net	3,716	3,046
Income (loss) before income taxes attributable to The Andersons, Inc.	\$ 14,176	\$ 121

Operating results for the Plant Nutrient Group increased \$14.1 million compared to full year 2015 results. Sales and merchandising revenues decreased \$123 million primarily due to lower base nutrient prices throughout the year. Volumes were up two percent, however the impact on revenues from that increase was minimal. Cost of sales and merchandising revenues decreased \$126 million, in line with the decline in revenues. Margins did improve modestly due to the impact of prior year Kay Flo inventory being stepped up to fair value at acquisition causing margin compression in the second half of 2015. Total gross profit increased by \$2.8 million.

Operating, administrative, and general expenses decreased \$2.6 million from the prior year. This included a reduction in labor and benefits of \$3.4 million and maintenance reductions of \$1.2 million. Smaller reductions were realized in a number of other categories as part of our overall cost control efforts. These items were partially offset by a \$3.4 million increase in depreciation and amortization, largely due to the full-year impact of the Kay Flo acquisition. The prior year included goodwill impairment charges of \$9.7 million for our Farm Center and Cob businesses due to reduced volumes over the past several years while the current year included \$2.3 million of asset impairments associated with the closure of a cob processing facility.

Rail Group

(in thousands)	Year ended December 31,	
	2016	2015
Sales and merchandising revenues	\$ 163,658	\$ 170,848
Cost of sales and merchandising revenues	107,729	103,161
Gross profit	55,929	67,687
Operating, administrative and general expenses	18,971	25,650
Asset impairment	287	285
Interest expense	6,461	7,006
Other income, net	2,218	15,935
Income (loss) before income taxes attributable to The Andersons, Inc.	\$ 32,428	\$ 50,681

Operating results for the Rail Group decreased \$18.3 million compared to the full year 2015 results. Sales and merchandising revenues decreased \$7.2 million. The decrease was driven by a five percentage point decrease in average lease utilization rates during the year as well as a reduction in car sales compared to 2015. Cost of sales and merchandising revenues increased \$4.6 million due to higher storage costs associated with our reduced utilization rates as well as a periodic revision to our repair overhead rates which increased the amount of cost absorption. As a result of these factors, Rail gross profit declined \$11.8 million compared to the prior year.

Operating expenses decreased by \$6.7 million, largely due to the impact of higher overhead rates noted above. Other income decreased \$13.7 million, primarily due to higher than normal lease settlement activity in the prior year.

Retail Group

(in thousands)	Year ended December 31,	
	2016	2015
Sales and merchandising revenues	\$ 134,229	\$ 139,478
Cost of sales and merchandising revenues	95,169	98,836
Gross profit	39,060	40,642
Operating, administrative and general expenses	41,430	41,298
Asset impairment	6,489	—
Interest expense	496	356
Other income, net	507	557
Income (loss) before income taxes attributable to The Andersons, Inc.	\$ (8,848)	\$ (455)

Operating results for the Retail Group declined \$8.4 million compared to the prior year. The largest contributors to this decline were a \$6.5 million impairment of long-lived assets as well as approximately \$0.7 million of incremental cost associated with closing the segment's specialty food store in the fourth quarter of 2016. Customer count declined 4 percent compared to the prior year.

In January 2017, the Company announced that the Retail segment will be closed in the first half of 2017. We expect to incur incremental severance and shut-down costs in the range of \$9 to \$14 million as well as future gains or losses on the disposition of property, however the timing and amounts of those asset sales is not known at this point.

Other

(in thousands)	Year ended December 31,	
	2016	2015
Sales and merchandising revenues	\$ —	\$ —
Cost of sales and merchandising revenues	—	—
Gross profit	—	—
Operating, administrative and general expenses	31,384	31,976
Pension settlement	—	51,446
Interest expense (income)	(276)	(381)
Equity in earnings of affiliates	—	—
Other income, net	2,785	328
Income (loss) before income taxes attributable to The Andersons, Inc.	\$ (28,323)	\$ (82,713)

The net corporate operating loss (costs not allocated back to the business units) decreased \$54.4 million to a loss of \$28.3 million for 2016. The most significant decrease was due to the prior year \$51.4 million settlement charge for the termination of the defined benefit pension plan.

Income Taxes

Income tax expense of \$6.9 million was provided at 32.3%. In 2015, an income tax benefit of \$0.2 million was provided at 2.1%. The lower effective tax rate in 2015 relative to the loss before income taxes was due primarily to a goodwill write-off that did not provide a corresponding tax benefit.

Comparison of 2015 with 2014

Grain Group

(in thousands)	Year ended December 31,	
	2015	2014
Sales and merchandising revenues	\$ 2,483,643	\$ 2,682,038
Cost of sales and merchandising revenues	2,359,998	2,550,909
Gross profit	123,645	131,129
Operating, administrative and general expenses	121,833	110,221
Asset impairment	—	3,090
Interest expense	5,778	8,785
Equity in earnings of affiliates	14,703	27,643
Other income, net	26,229	21,450
Income before income taxes	(9,456)	58,126
Loss attributable to noncontrolling interests	(10)	(10)
Income (loss) before income taxes attributable to The Andersons, Inc.	<u>\$ (9,446)</u>	<u>\$ 58,136</u>

Operating results for the Grain Group decreased \$67.6 million compared to full year 2014 results. Sales and merchandising revenues decreased \$198 million compared to 2014 due to a decrease in commodity prices which was partially offset by a 12 percent increase in bushels sold as a result of the Auburn Bean & Grain acquisition in late 2014. Average prices for bushels sold during the year decreased by 13 percent for corn and 17 percent for soybeans compared to 2014. Cost of sales and merchandising revenues decreased \$191 million following the decrease in average commodity prices and increase in bushels sold noted above. Gross profit decreased \$7.5 million due to declines of \$1.2 million from blending operations, \$7.6 million from space income, and \$9.6 million from the negative financial impact on risk management positions resulting from weather-induced market volatility. This was partially offset by gross profit increases of \$1.4 million for merchandising fees and \$5.4 million in higher margins on contracted sales.

Operating, administrative, and general expenses were \$11.6 million higher than 2014 largely due to a \$7.2 million increase in labor and benefits. The grain group also recognized a goodwill impairment charge of \$46.4 million driven by compressed margins over the past several years and anticipated unfavorable operating conditions in domestic and global commodity markets, including oil and ethanol, as well as foreign exchange impacts. Equity in earnings of affiliates decreased \$12.9 million due to reduced operating results of LTG and Thompsons Limited. It also includes our share (\$2.8 million) of a correction of a prior period accounting error at Lansing Trade Group. Other income increased \$4.8 million, which is attributable to a \$6.0 million increase in gain from equity ownership transactions in LTG compared to the prior year. During the current year, our ownership interest was reduced from 39% to 31% resulting in a gain of \$23.1 million whereas in the prior year our ownership was reduced from 48% to 39% resulting in a gain of \$17.1 million.

Ethanol Group

(in thousands)	Year ended December 31,	
	2015	2014
Sales and merchandising revenues	\$ 556,188	\$ 765,939
Cost of sales and merchandising revenues	531,864	717,882
Gross profit	24,324	48,057
Operating, administrative and general expenses	11,594	11,719
Interest expense	70	255
Equity in earnings (loss) of affiliates	17,221	68,880
Other income, net	377	223
Income (loss) before income taxes	30,258	105,186
Income (loss) attributable to noncontrolling interests	1,755	12,929
Income (loss) before income taxes attributable to The Andersons, Inc.	<u>\$ 28,503</u>	<u>\$ 92,257</u>

Operating results for the Ethanol Group decreased \$63.8 million compared to full year 2014 results. Sales and merchandising and service fee revenues decreased \$210 million, with over 90 percent of the decrease related to ethanol sales. While ethanol

gallons sold increased over two percent, average ethanol prices decreased 27 percent. DDG volumes remained flat but revenues decreased 20 percent compared to the prior year due to a lower price per ton. Cost of sales and merchandising revenues decreased \$186 million following the decrease in average corn, ethanol, and DDG prices. Gross profit decreased \$23.7 million and is attributed to the decrease in ethanol and DDG prices relative to corn prices which caused margin compression.

Equity in earnings of affiliates decreased \$51.7 million from prior year and represents a reduction of income from investments in three unconsolidated ethanol LLCs. Throughout the year, the ethanol facilities' productivity and output remained strong, however earnings declined due to the same factors that caused a decrease in consolidated gross profit. The decrease in income attributable to noncontrolling interests is a direct result of the lower earnings at our consolidated ethanol facility that has noncontrolling interest owners.

Plant Nutrient Group

(in thousands)	Year ended December 31,	
	2015	2014
Sales and merchandising revenues	\$ 848,338	\$ 802,333
Cost of sales and merchandising revenues	728,798	685,394
Gross profit	119,540	116,939
Operating, administrative and general expenses	105,478	91,519
Interest expense	7,243	5,278
Equity in earnings of affiliates	—	—
Other income, net	3,046	4,372
Income (loss) before income taxes attributable to The Andersons, Inc.	\$ 121	\$ 24,514

Operating results for the Plant Nutrient Group decreased \$24.4 million compared to full year 2014 results. Sales and merchandising revenues increased \$46 million due to \$51 million in sales at the Kay Flo Industries facilities acquired during 2015. Revenues in the legacy business were flat. Volumes were up five percent, however this was due primarily to tons sold by facilities acquired in recent acquisitions. Cost of sales and merchandising revenues increased \$43.4 million, also primarily due to the acquisition activity noted above. The acquired facilities offset by a modest decline in legacy business resulted in a \$2.6 million increase to gross profit compared to the prior year.

Operating, administrative, and general expenses increased \$14.0 million from the prior year, of which \$13.8 million related to the 2015 acquisition of Kay Flo Industries. Of those costs, \$4.9 million were non-recurring acquisition related items, including cost of sales increases as a result of inventory purchase accounting adjustments. Goodwill impairment charges of \$9.7 million for our Farm Center and Cob businesses were recorded due to reduced volumes over the past several years. Other income decreased \$1.3 million in 2015 due to the settlement of a legal claim during the third quarter of 2014 which did not repeat in the current year.

Rail Group

(in thousands)	Year ended December 31,	
	2015	2014
Sales and merchandising revenues	\$ 170,848	\$ 148,954
Cost of sales and merchandising revenues	103,161	89,192
Gross profit	67,687	59,762
Operating, administrative and general expenses	25,650	24,164
Asset impairment	285	—
Interest expense	7,006	7,247
Other income, net	15,935	3,094
Income (loss) before income taxes attributable to The Andersons, Inc.	\$ 50,681	\$ 31,445

Operating results for the Rail Group increased \$19.2 million compared to the full year 2014 results. Sales and merchandising revenues increased \$21.9 million. The increase was driven by an increase in lease revenue of \$15.7 million and an increase in repair revenue of \$4.8 million due to higher productivity in 2015. Cost of sales and merchandising revenues increased \$14.0 million, primarily as a result of higher leasing activity. As a result of these factors, Rail gross profit increased \$7.9 million over the prior year.

Operating expenses increased modestly by \$1.5 million which was largely due to higher maintenance charges from moving additional railcars into service. Interest expense remained flat compared to the prior year. Other income increased \$12.8 million due to higher than normal lease settlement activity in 2015.

Retail Group

(in thousands)	Year ended December 31,	
	2015	2014
Sales and merchandising revenues	\$ 139,478	\$ 140,807
Cost of sales and merchandising revenues	98,836	99,555
Gross profit	40,642	41,252
Operating, administrative and general expenses	41,298	42,161
Interest expense	356	666
Other income, net	557	955
Income (loss) before income taxes attributable to The Andersons, Inc.	<u>\$ (455)</u>	<u>\$ (620)</u>

Operating results for the Retail Group improved slightly from the same period last year with a 1.3 percent decrease in customer count and 1.5 percent decrease in margins offset by effective cost controls and a modest increase in sales volume per customer.

Other

(in thousands)	Year ended December 31,	
	2015	2014
Sales and merchandising revenues	\$ —	\$ —
Cost of sales and merchandising revenues	—	—
Gross profit	—	—
Operating, administrative and general expenses	31,976	36,007
Interest income	(381)	(471)
Equity in earnings of affiliates	—	—
Other income, net	328	1,031
Income (loss) before income taxes attributable to The Andersons, Inc.	<u>\$ (82,713)</u>	<u>\$ (34,505)</u>

The net corporate operating loss (costs not allocated back to the business units) increased \$48.2 million to a loss of \$82.7 million for 2015. The most significant increase was a \$51.4 million settlement charge for the termination of the defined benefit pension plan. Excluding this item, corporate expenses were down \$3.2 million primarily due to the impact of lower corporate incentive compensation.

Income Taxes

Income tax benefit of \$0.2 million was provided at 2.1%. In 2014, income tax expense of \$61.5 million was provided at 33.4%. The decrease in the effective tax rate was due primarily to \$11.8 million of the goodwill write-off that did not provide a corresponding tax benefit.

Liquidity and Capital Resources

Working Capital

At December 31, 2016, the Company had working capital of \$258.4 million, an increase of \$16.9 million from the prior year. This increase was attributable to changes in the following components of current assets and current liabilities:

(in thousands)	December 31, 2016	December 31, 2015	Variance
Current Assets:			
Cash and cash equivalents	\$ 62,630	\$ 63,750	\$ (1,120)
Restricted cash	471	451	20
Accounts receivables, net	194,698	170,912	23,786
Inventories	682,747	747,399	(64,652)
Commodity derivative assets – current	45,447	49,826	(4,379)
Deferred income taxes	—	6,772	(6,772)
Other current assets	72,133	90,412	(18,279)
Total current assets	1,058,126	1,129,522	(71,396)
Current Liabilities:			
Short-term debt	29,000	16,990	12,010
Trade and other payables	581,826	668,788	(86,962)
Customer prepayments and deferred revenue	48,590	66,762	(18,172)
Commodity derivative liabilities – current	23,167	37,387	(14,220)
Accrued expenses and other current liabilities	69,648	70,324	(676)
Current maturities of long-term debt	47,545	27,786	19,759
Total current liabilities	799,776	888,037	(88,261)
Working capital	\$ 258,350	\$ 241,485	\$ 16,865

In comparison to the prior year, current assets slightly decreased primarily as a result of lower inventory levels driven by decreasing commodity prices. Accounts receivable are also up, largely as a result of timing of payments from a major customer around period end. See the discussion below on additional sources and uses of cash for an understanding of the change in cash from prior year. Other current assets decreased primarily due to the final redemption of our investment and accrued dividends in Iowa Northern Railway in the current year.

Current liabilities decreased primarily as a result of lower payables as well as lower customer prepayments and deferred revenue related to declining commodity prices. This was offset by higher short-term borrowings and higher current maturities of long-term debt as principal payments become due in 2017.

Sources and Uses of Cash 2016 compared to 2015

Operating Activities and Liquidity

Our operating activities provided cash of \$39.6 million in 2016 compared to cash provided by operations of \$154.1 million in 2015. The significant change in operating cash flows in 2016 relates primarily to the changes in working capital, particularly accounts receivable and accounts payable as discussed above, which were partly offset by reduced inventory balances. Additionally, while net income has improved compared to the prior year, our operating cash flows are down since the loss incurred in the prior year included significant non-cash charges related to goodwill impairment and the settlement of our defined benefit pension plan.

In 2016, the Company received refunds, net of taxes paid, of \$10.6 million, compared to \$4.9 million of taxes paid, net of refunds received, in 2015. The Company makes quarterly estimated tax payments based on year to date annualized taxable income. The net refunds received in 2016 are primarily due to a \$12.0 million refund of overpaid 2015 Federal income taxes.

Investing Activities

Investing activities used \$28.2 million in 2016 compared to \$238.5 million used in 2015. The decrease in cash used for investing activities is primarily driven by the 2015 acquisition of Kay Flo Industries, Inc. for \$128.5 million. In addition, a portion of 2016 spending relates to purchases of Rail Group assets in the amount of \$85.3 million, which is lower than the prior year. These purchases of Rail Group assets were partially offset in the current year by proceeds from the sale of Rail Group assets in the amount of \$56.7 million, however net spend on Rail assets is still down from the prior year. The current year results include cash received of \$15.0 million primarily from the redemption of our investment in IANR as well as proceeds from the sale of facilities in Iowa totaling \$54.3 million which reduce our net outflow from investing activities. Capital spending for 2016 on property, plant and equipment includes: Grain - \$21.4 million; Ethanol - \$2.3 million; Plant Nutrient - \$15.2 million; Rail - \$4.3 million; Retail - \$0.4 million and \$34.1 million in corporate / enterprise resource planning project spending.

We expect to spend approximately \$105 million in 2017 on conventional property, plant and equipment which includes estimated 2017 capital spending for the continuing project to replace current technology with an enterprise resource planning system. An additional \$158 million is estimated to be spent on the purchase and capitalized modifications of railcars and barges with related sales or financings of \$133 million.

Financing Arrangements

Net cash used in financing activities was \$12.5 million in 2016, compared to \$33.4 million provided in 2015. The change in financing activity is primarily the result of significant debt issuance in the prior year to fund the Kay Flo acquisition which was partly offset by the 2015 completion of our \$50 million share repurchase program.

We have significant amounts of committed short-term lines of credit available to finance working capital, primarily inventories, margin calls on commodity contracts and accounts receivable. We are party to a borrowing arrangement with a syndicate of banks that provides a total of \$871.3 million in borrowing capacity, including \$21.3 million in non-recourse debt of The Andersons Denison Ethanol LLC. Of that total, we had \$779.6 million remaining available for borrowing at December 31, 2016. Peak short-term borrowings were \$412.0 million on January 6, 2016. Typically, the Company's highest borrowing occurs in the first half of the year due to seasonal inventory requirements in the fertilizer and retail businesses.

We paid \$17.4 million in dividends in 2016 compared to \$15.9 million in 2015. We paid \$0.155 per common share for the dividends paid in January, April, July and October 2016, and \$0.14 per common share for the dividends paid in January, April, July and October 2015. On December 16, 2016, we declared a cash dividend of \$0.16 per common share, payable on January 24, 2017 to shareholders of record on January 3, 2017.

Proceeds from the sale of treasury shares to employees and directors were \$1.0 million and \$0.5 million for 2016 and 2015, respectively.

Certain of our long-term borrowings include covenants that, among other things, impose minimum levels of equity and limitations on additional debt. We are in compliance with all such covenants as of December 31, 2016. In addition, certain of our long-term borrowings are collateralized by first mortgages on various facilities or are collateralized by railcar assets. Our non-recourse long-term debt is collateralized by ethanol plant assets.

Because we are a significant consumer of short-term debt in peak seasons and the majority of this is variable rate debt, increases in interest rates could have a significant impact on our profitability. In addition, periods of high grain prices and / or unfavorable market conditions could require us to make additional margin deposits on our exchange traded futures contracts. Conversely, in periods of declining prices, we receive a return of cash.

We believe our sources of liquidity will be adequate to fund our operations, capital expenditures and payments of dividends in the foreseeable future.

Sources and Uses of Cash 2015 compared to 2014

Operating Activities and Liquidity

Our operating activities provided cash of \$154.1 million in 2015 compared to cash used by operations of \$10.1 million in 2014. The significant change in operating cash flows in 2015 relates primarily to the changes in working capital, particularly inventory, discussed above, partially offset by lower operating results.

In 2015, the Company paid income taxes, net of refunds received, of \$4.9 million compared to \$36.8 million in 2014. The Company makes quarterly estimated tax payments based on year to date annualized taxable income. The decrease in income taxes paid in 2015 from 2014 is primarily due to decreased current income tax expense and overpayments related to 2014 taxes that were applied to 2015 estimated tax payments.

Investing Activities

Investing activities used \$238.5 million in 2015 compared to \$89.7 million used in 2014. The increase in cash used for investing activities is primarily driven by the 2015 acquisition of Kay Flo Industries, Inc. for \$128.5 million. In addition, a large portion of the remaining 2015 spending relates to purchases of Rail Group assets in the amount of \$115.0 million. Purchases of Rail Group assets was only partially offset in the current year by proceeds from the sale of Rail Group assets in the amount of \$76.6 million. Capital spending for 2015 on property, plant and equipment includes: Grain - \$26.9 million; Ethanol - \$7.2 million; Plant Nutrient - \$14.4 million; Rail - \$3.0 million; Retail - \$1.0 million and \$20.0 million in corporate / enterprise resource planning project spending.

We expect to spend approximately \$122 million in 2016 on conventional property, plant and equipment which includes estimated 2016 capital spending for the continuing project to replace current technology with an enterprise resource planning system and completing construction on a new corporate headquarters building. An additional \$140 million is estimated to be spent on the purchase and capitalized modifications of railcars and barges with related sales or financings of \$116 million.

Financing Arrangements

Net cash provided by financing activities was \$33.4 million in 2015, compared to \$94.6 million used in 2014. The cash provided in 2015 was primarily driven by the issuance of long-term debt associated with our acquisition activity during the year, partly offset by the completion of our \$50 million share repurchase program.

We have significant amounts of committed short-term lines of credit available to finance working capital, primarily inventories, margin calls on commodity contracts and accounts receivable. We are party to a borrowing arrangement with a syndicate of banks that provides a total of \$873.8 million in borrowing capacity, including \$23.8 million in non-recourse debt of The Andersons Denison Ethanol LLC. Of that total, we had \$721.7 million remaining available for borrowing at December 31, 2015. Peak short-term borrowings to date were \$308.5 million on March 31, 2015. Typically, the Company's highest borrowing occurs in the spring due to seasonal inventory requirements in the fertilizer and retail businesses.

We paid \$15.9 million in dividends in 2015 compared to \$12.5 million in 2014. We paid \$0.14 per common share for the dividends paid in January, April, July and October 2015, and \$0.11 per common share for the dividends paid in January, April, July and October 2014. On October 30, 2015, we declared a cash dividend of \$0.155 per common share, payable on January 25, 2016 to shareholders of record on January 4, 2016.

Proceeds from the sale of treasury shares to employees and directors were \$0.5 million and \$1.5 million for 2015 and 2014, respectively. During 2015, we issued approximately 174 thousand shares and share units and 325 thousand options to employees and directors under our equity-based compensation plans.

Contractual Obligations

Future payments due under contractual obligations at December 31, 2016 are as follows:

(in thousands)	Payments Due by Period				
	Less than 1 year	1-3 years	3-5 years	After 5 years	Total
Long-term debt	\$ 47,247	\$ 101,682	\$ 78,351	\$ 219,415	\$ 446,695
Interest obligations (a)	16,722	28,143	22,412	50,641	117,918
Operating leases (b)	28,609	36,221	19,699	18,417	102,946
Purchase commitments (c)	826,662	48,183	—	—	874,845
Other long-term liabilities (d)	2,493	5,097	5,257	18,899	31,746
Total contractual cash obligations	<u>\$ 921,733</u>	<u>\$ 219,326</u>	<u>\$ 125,719</u>	<u>\$ 307,372</u>	<u>\$ 1,574,150</u>

(a) Future interest obligations are calculated based on interest rates in effect as of December 31, 2016 for the Company's variable rate debt and do not include any assumptions on expected borrowings, if any, under the short-term line of credit.

(b) Approximately 54% of the operating lease commitments above relate to Rail Group assets that the Company leases from financial intermediaries. See "Off-Balance Sheet Transactions" below.

(c) Includes the amounts related to purchase obligations in the Company's operating units, including \$628 million for the purchase of grain from producers and \$181 million for the purchase of ethanol from the ethanol joint ventures. There are also forward grain and ethanol sales contracts to consumers and traders and the net of these forward contracts are offset by exchange-traded futures and options contracts or over-the-counter contracts. See the narrative description of businesses for the Grain and Ethanol Groups in Item 1 of this Annual Report on Form 10-K for further discussion.

(d) Other long-term liabilities include estimated obligations under our retiree healthcare programs and principal and interest payments for the financing arrangement on our new headquarters. Obligations under the retiree healthcare programs are not fixed commitments and will vary depending on various factors, including the level of participant utilization and inflation. Our estimates of postretirement payments through 2021 have considered recent payment trends and actuarial assumptions.

At December 31, 2016, we had standby letters of credit outstanding of \$32.5 million, as well as \$0.2 million that was outstanding on a non-recourse basis.

Off-Balance Sheet Transactions

Our Rail Group utilizes leasing arrangements that provide off-balance sheet financing for its activities. We lease assets from financial intermediaries through sale-leaseback transactions, the majority of which involve operating leases. Rail Group assets we own or lease from a financial intermediary are generally leased to a customer under an operating lease. We also arrange non-recourse lease transactions under which we sell assets to a financial intermediary, and assign the related operating lease to the financial intermediary on a non-recourse basis. In such arrangements, we generally provide ongoing maintenance and management services for the financial intermediary, and receive a fee for such services. On most of the assets, we hold an option to purchase the assets at the end of the lease.

The following table describes our Rail Group asset positions at December 31, 2016.

Method of Control	Financial Statement	Units
Owned-railcars available for sale	On balance sheet – current	551
Owned-railcar assets leased to others	On balance sheet – non-current	15,272
Railcars leased from financial intermediaries	Off balance sheet	4,267
Railcars – non-recourse arrangements	Off balance sheet	3,041
Total Railcars		23,131
Locomotive assets leased to others	On balance sheet – non-current	36
Locomotives leased from financial intermediaries	Off balance sheet	4
Total Locomotives		40
Barge assets leased to others	On balance sheet – non-current	—
Barge assets leased from financial intermediaries	Off balance sheet	65
Total Barges		65

In addition, we manage approximately 418 railcars for third-party customers or owners for which we receive a fee.

We have future lease payment commitments aggregating \$55.2 million for the Rail Group assets we lease from financial intermediaries under various operating leases. Remaining lease terms vary with none exceeding fifteen years. Where appropriate, we utilize non-recourse arrangements in order to minimize credit risk. Refer to Note 14 to the Company's Consolidated Financial Statements in Item 8 for more information on our leasing activities.

Critical Accounting Estimates

The process of preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Management evaluates these estimates and assumptions on an ongoing basis. Estimates and assumptions are based on historical experience and management's knowledge and understanding of current facts and circumstances. Actual results, under conditions and circumstances different from those assumed, may change from estimates.

Certain of our accounting estimates are considered critical, as they are important to the depiction of the Company's financial statements and / or require significant or complex judgment by management. There are other items within our financial statements that require estimation, however, they are not deemed critical as defined above. Note 1 to the Consolidated Financial Statements in Item 8 describes our significant accounting policies which should be read in conjunction with our critical accounting estimates.

Management believes that the accounting for grain inventories and commodity derivative contracts, including adjustments for counterparty risk, and impairment of long-lived assets and equity method investments involve significant estimates and assumptions in the preparation of the Consolidated Financial Statements.

Grain Inventories and Commodity Derivative Contracts

Grain inventories are stated at their net realizable value, which approximates estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company marks to market all forward purchase and sale contracts for grain and ethanol, over-the-counter grain and ethanol contracts, and exchange-traded futures and options contracts. The overall market for grain inventories is very liquid and active; market value is determined by

reference to prices for identical commodities on the CME (adjusted primarily for transportation costs); and the Company's grain inventories may be sold without significant additional processing. The Company uses forward purchase and sale contracts and both exchange traded and over-the-counter contracts (such as derivatives generally used by the International Swap Dealers Association). Management estimates fair value based on exchange-quoted prices, adjusted for differences in local markets, as well as counter-party non-performance risk in the case of forward and over-the-counter contracts. The amount of risk, and therefore the impact to the fair value of the contracts, varies by type of contract and type of counter-party. With the exception of specific customers thought to be at higher risk, the Company looks at the contracts in total, segregated by contract type, in its quarterly assessment of non-performance risk. For those customers that are thought to be at higher risk, the Company makes assumptions as to performance based on past history and facts about the current situation. Changes in fair value are recorded as a component of cost of sales and merchandising revenues in the statement of income.

Impairment of Long-Lived Assets, Goodwill, and Equity Method Investments

The Company's business segments are each highly capital intensive and require significant investment. Fixed assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. This is done by evaluating the recoverability based on undiscounted projected cash flows, excluding interest. If an asset group is considered impaired, the impairment loss to be recognized is measured as the amount by which the asset group's carrying amount exceeds its fair value.

We also annually review the balance of goodwill for impairment in the fourth quarter, using quantitative analyses. Goodwill is tested for impairment at the reporting unit level, which is the operating segment or one level below the operating segment. The quantitative review for impairment takes into account our estimates of future cash flows. Our estimates of future cash flows are based upon a number of assumptions including lease rates, lease terms, operating costs, life of the assets, potential disposition proceeds, budgets and long-range plans. These factors are discussed in more detail in Note 4, Goodwill and Intangible Assets.

In addition, the Company holds investments in limited liability companies that are accounted for using the equity method of accounting. The Company reviews its investments to determine whether there has been a decline in the estimated fair value of the investment that is below the Company's carrying value which is other than temporary. Other than consideration of past and current performance, these reviews take into account forecasted earnings which are based on management's estimates of future performance.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The market risk inherent in the Company's market risk-sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices and interest rates as discussed below.

Commodity Prices

The Company's daily net commodity position consists of inventories, related purchase and sale contracts, exchange-traded futures, and over-the-counter contracts. The fair value of the position is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures market prices. The Company has established controls to manage and limit risk exposure, which consists of daily review of position limits and effects of potential market price moves on those positions.

A sensitivity analysis has been prepared to estimate the Company's exposure to market risk of its net commodity position. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in quoted market prices. The result of this analysis, which may differ from actual results, is as follows:

(in thousands)	December 31,	
	2016	2015
Net commodity position	\$ (2,166)	\$ (7,406)
Market risk	(217)	(741)

Interest Rates

The fair value of the Company's long-term debt is estimated using quoted market prices or discounted future cash flows based on the Company's current incremental borrowing rates and credit ratings for similar types of borrowing arrangements. Market risk, which is estimated as the potential increase in fair value resulting from a hypothetical one-half percent decrease in interest rates, is summarized below:

(in thousands)	December 31,	
	2016	2015
Fair value of long-term debt, including current maturities	\$ 450,940	\$ 467,703
Fair value in excess of carrying value	3,116	3,708
Market risk	8,833	7,678

Actual results may differ. The estimated fair value and market risk will vary from year to year depending on the total amount of long-term debt and the mix of variable and fixed rate debt.

Item 8. Financial Statements and Supplementary Data

**The Andersons, Inc.
Index to Financial Statements**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Andersons, Inc.

We have audited the accompanying consolidated balance sheets of The Andersons, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for the years then ended. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits. We did not audit the financial statements of Lansing Trade Group, LLC as of and for the years ended December 31, 2016 and 2015 or Lux JV Treasury Holding Company S.à r.l as of and for the year ended December 31, 2016, the Company's investments in which are accounted for by use of the equity method. The accompanying consolidated financial statements of the Company include its equity investment in Lansing Trade Group, LLC of \$89 million and \$102 million as of December 31, 2016 and 2015 and Lux JV Treasury Holding Company S.à r.l of \$46 million as of December 31, 2016, and its equity in (losses) earnings in Lansing Trade Group, LLC of (\$9.9) million and \$12 million for the years ended December 31, 2016 and 2015 and Lux JV Treasury Holding Company S.à r.l of \$1.2 million for the year ended December 31, 2016. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Lansing Trade Group, LLC as of and for the years ended December 31, 2016 and 2015 and Lux JV Treasury Holding Company S.à r.l as of and for the year ended December 31, 2016, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of The Andersons, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, based on our audits and (as to the amounts included for Lansing Trade Group, LLC for 2016 and 2015 and Lux JV Treasury Holding Company S.à r.l for 2016) the reports of the other auditors, such financial statement schedule for the years ended December 31, 2016 and 2015, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting based on our audit.

/s/ Deloitte & Touche LLP

Cleveland, Ohio

March 1, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers
Lansing Trade Group, LLC
Overland Park, Kansas

We have audited the accompanying consolidated balance sheets of Lansing Trade Group, LLC and Subsidiaries (the “Company”) as of December 31, 2016 and 2015 and the related consolidated statements of comprehensive income, equity and cash flows for each of the years in the three-year period ended December 31, 2016 (not included herein). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the consolidated financial statements of Lux JV Treasury Holding Company S.à.r.l., an entity in which Lansing Trade Group, LLC has an investment in and accounts for under the equity method of accounting, for which Lansing Trade Group, LLC reflects an investment of \$42.9 million and \$43.7 million as of December 31, 2016 and 2015, respectively, and equity in earnings of affiliates of \$2.6 million, \$2.9 million, and \$4.3 million for each of the years in the three-year period ended December 31, 2016, respectively. The financial statements of Lux JV Treasury Holding Company S.à.r.l. were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements expressed herein, insofar as it relates to the amounts included for Lux JV Treasury Holding Company S.à.r.l., is based solely on the report of the other auditors.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of, December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

Crowe Chizek LLP

Elkhart, Indiana
February 27, 2017

February 17, 2017

**Report of Independent Registered Public Accounting Firm
To the Board of Managers of
Lux JV Treasury Holding Company S.à r.l.**

We have audited the accompanying consolidated balance sheet of Lux JV Treasury Holding Company S.à r.l. and its subsidiaries as of December 31, 2016 and December 31, 2015 and the related consolidated statements of income and retained earnings and cash flows for the years ended December 31, 2016, 2015 and 2014 (not included herein). Management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We were not engaged to perform an audit of the company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lux JV Treasury Holding Company S.à r.l. and its subsidiaries as of December 31, 2016 and December 31, 2015 and the results of their operations and their cash flows for the years ended December 31, 2016, 2015 and 2014 in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the consolidated financial statements, Lux JV Treasury Holding Company S.à r.l. retrospectively changed its method of presentation of debt issuance costs due to the adoption of ASU 2015-03, Presentation of Debt Issuance Costs, in December 2016.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants

London, Ontario

Report of Independent Registered Public Accounting Firm

To Shareholders and Board of Directors
of The Andersons, Inc.

In our opinion, based on our audits and the report of other auditors, the consolidated statements of operations, of comprehensive income, of equity and of cash flows for the period ended December 31, 2014 present fairly, in all material respects, the results of operations and cash flows of The Andersons, Inc. and its subsidiaries for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the year ended December 31, 2014 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We did not audit the financial statements of Lansing Trade Group, LLC, an entity in which The Andersons, Inc. accounts for under the equity method of accounting, for which The Andersons, Inc. financial statements reflects equity in earnings of affiliates of \$23.3 million for the year ended December 31, 2014. The consolidated financial statements of Lansing Trade Group, LLC were audited by other auditors whose report thereon has been furnished to us, and our opinion on the consolidated financial statements expressed herein, insofar as it relates to the amounts included for Lansing Trade Group, LLC, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Toledo, OH

March 2, 2015, except for the effects of the change in the composition of reportable segments discussed in Note 13 (not presented herein) to the consolidated financial statements appearing under Item 8 of the Company's 2015 annual report on Form 10-K, as to which the date is February 29, 2016

The Andersons, Inc.
Consolidated Balance Sheets
(In thousands)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 62,630	\$ 63,750
Restricted cash	471	451
Accounts receivable, less allowance for doubtful accounts of \$7,706 in 2016; \$6,938 in 2015	194,698	170,912
Inventories (Note 2)	682,747	747,399
Commodity derivative assets – current (Note 6)	45,447	49,826
Deferred income taxes (Note 8)	—	6,772
Other current assets	72,133	90,412
Total current assets	1,058,126	1,129,522
Other assets:		
Commodity derivative assets – noncurrent (Note 6)	100	412
Goodwill (Note 4)	63,934	63,934
Other intangible assets, net (Note 4)	106,100	120,240
Other assets	10,411	9,515
Equity method investments	216,931	242,107
	397,476	436,208
Rail Group assets leased to others, net (Note 3)	327,195	338,111
Property, plant and equipment, net (Note 3)	450,052	455,260
Total assets	\$ 2,232,849	\$ 2,359,101

The Andersons, Inc.
Consolidated Balance Sheets (continued)
(In thousands)

	December 31, 2016	December 31, 2015
Liabilities and equity		
Current liabilities:		
Short-term debt (Note 5)	\$ 29,000	\$ 16,990
Trade and other payables	581,826	668,788
Customer prepayments and deferred revenue	48,590	66,762
Commodity derivative liabilities – current (Note 6)	23,167	37,387
Accrued expenses and other current liabilities	69,648	70,324
Current maturities of long-term debt (Note 5)	47,545	27,786
Total current liabilities	799,776	888,037
Other long-term liabilities	27,833	18,176
Commodity derivative liabilities – noncurrent (Note 6)	339	1,063
Employee benefit plan obligations (Note 7)	35,026	45,805
Long-term debt, less current maturities (Note 5)	397,065	436,208
Deferred income taxes (Note 8)	182,113	186,073
Total liabilities	1,442,152	1,575,362
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Common shares, without par value (63,000 shares authorized; 29,430 shares issued in 2016; 29,353 shares issued in 2015)	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)	—	—
Additional paid-in-capital	222,910	222,848
Treasury shares, at cost (1,201 in 2016; 1,397 in 2015)	(45,383)	(52,902)
Accumulated other comprehensive loss	(12,468)	(20,939)
Retained earnings	609,206	615,151
Total shareholders' equity of The Andersons, Inc.	774,361	764,254
Noncontrolling interests	16,336	19,485
Total equity	790,697	783,739
Total liabilities and equity	\$ 2,232,849	\$ 2,359,101

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Consolidated Statements of Operations
(In thousands, except per share data)

	Year ended December 31,		
	2016	2015	2014
Sales and merchandising revenues	\$ 3,924,790	\$ 4,198,495	\$ 4,540,071
Cost of sales and merchandising revenues	3,579,284	3,822,657	4,142,932
Gross profit	345,506	375,838	397,139
Operating, administrative and general expenses	318,395	337,829	315,791
Pension settlement	—	51,446	—
Asset impairment	9,107	285	3,090
Goodwill impairment	—	56,166	—
Interest expense	21,119	20,072	21,760
Other income:			
Equity in earnings of affiliates, net	9,721	31,924	96,523
Other income, net	14,775	46,472	31,125
Income (loss) before income taxes	21,381	(11,564)	184,146
Income tax provision (benefit)	6,911	(242)	61,501
Net income (loss)	14,470	(11,322)	122,645
Net income attributable to the noncontrolling interests	2,876	1,745	12,919
Net income (loss) attributable to The Andersons, Inc.	\$ 11,594	\$ (13,067)	\$ 109,726
Per common share:			
Basic earnings (loss) attributable to The Andersons, Inc. common shareholders	\$ 0.41	\$ (0.46)	\$ 3.85
Diluted earnings (loss) attributable to The Andersons, Inc. common shareholders	\$ 0.41	\$ (0.46)	\$ 3.84
Dividends declared	\$ 0.6250	\$ 0.5750	\$ 0.4700

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Consolidated Statements of Comprehensive Income
(In thousands)

	Year ended December 31,		
	2016	2015	2014
Net income (loss)	\$ 14,470	\$ (11,322)	\$ 122,645
Other comprehensive income (loss), net of tax:			
Recognition of gain on sale or change in fair value of debt securities (net of income tax of \$74, \$0 and \$4,685)	(126)	—	(7,735)
Change in unrecognized actuarial gain (loss) and prior service cost (net of income tax of \$(4,355), \$(24,746) and \$12,866)	7,447	40,736	(21,243)
Foreign currency translation adjustments (net of income tax of \$0, \$82 and \$947)	1,039	(7,333)	(4,709)
Cash flow hedge activity (net of income tax of \$(72), \$(154) and \$(166))	111	253	273
Other comprehensive income (loss)	8,471	33,656	(33,414)
Comprehensive income	22,941	22,334	89,231
Comprehensive income attributable to the noncontrolling interests	2,876	1,745	12,919
Comprehensive income attributable to The Andersons, Inc.	\$ 20,065	\$ 20,589	\$ 76,312

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year ended December 31,		
	2016	2015	2014
Operating Activities			
Net income (loss)	\$ 14,470	\$ (11,322)	122,645
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	84,325	78,456	62,005
Bad debt expense	1,191	3,302	1,183
Equity in earnings of affiliates, net of dividends	14,766	(677)	28,749
Gain on sale of investments in affiliates	(685)	(22,881)	(17,055)
Gains on sales of Rail Group assets and related leases	(11,019)	(13,281)	(15,830)
Loss on sales of property, plant and equipment	18	2,079	2,079
Excess tax benefit from share-based payment arrangement	13	(1,299)	(1,806)
Deferred income taxes	6,030	27,279	21,815
Stock based compensation expense	6,987	1,899	8,581
Pension settlement charge, net of cash contributed	—	48,344	—
Goodwill impairment charge	—	56,166	—
Asset impairment charge	9,107	285	3,090
Other	(2,083)	(140)	(296)
Changes in operating assets and liabilities:			
Accounts receivable	(26,429)	45,058	(1,703)
Inventories	28,165	73,350	(172,040)
Commodity derivatives	(9,990)	14,098	(27,652)
Other assets	19,407	(26,315)	(11,407)
Accounts payable and accrued expenses	(94,688)	(120,267)	(12,429)
Net cash provided by (used in) operating activities	39,585	154,134	(10,071)
Investing Activities			
Acquisition of businesses, net of cash acquired	—	(128,549)	(20,037)
Purchases of Rail Group assets	(85,268)	(115,032)	(90,067)
Proceeds from sale of Rail Group assets	56,689	76,625	32,099
Purchases of property, plant and equipment	(77,740)	(72,469)	(59,675)
Proceeds from sale of property, plant and equipment	561	284	1,401
Proceeds from returns of investments in affiliates	9,186	1,620	46,800
Purchase of investments	(2,523)	(938)	(238)
Proceeds from sale of investments	15,013	—	—
Proceeds from sale of facilities	54,330	—	—
Other	1,534	(21)	(21)
Net cash provided by (used in) investing activities	(28,218)	(238,480)	(89,738)
Financing Activities			
Net change in short-term borrowings	14,000	15,000	—
Proceeds from issuance of long-term debt	81,760	181,767	3,405
Payments of long-term debt	(97,606)	(92,474)	(69,697)
Proceeds from financing agreements	14,027	—	—
Distributions to noncontrolling interest owner	(5,853)	(3,206)	(14,920)
Proceeds from sale of treasury shares to employees and directors	1,027	468	1,509
Payments of debt issuance costs	(323)	(296)	(3,175)
Purchase of treasury stock	—	(49,089)	—
Dividends paid	(17,362)	(15,921)	(12,485)
Excess tax benefit from share-based payment arrangement	(13)	1,299	1,806
Other	(2,144)	(4,156)	(1,015)
Net cash provided by (used in) financing activities	(12,487)	33,392	(94,572)
(Decrease) increase in cash and cash equivalents	(1,120)	(50,954)	(194,381)
Cash and cash equivalents at beginning of year	63,750	114,704	309,085
Cash and cash equivalents at end of year	\$ 62,630	\$ 63,750	\$ 114,704

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Consolidated Statements of Equity
(In thousands, except per share data)

	The Andersons, Inc. Shareholders' Equity						
	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total
Balance at January 1, 2014	\$ 96	\$ 184,380	\$ (10,222)	\$ (21,181)	\$ 548,401	\$ 22,947	\$ 724,421
Net income					109,726	12,919	122,645
Other comprehensive loss				(33,414)			(33,414)
Cash distributions to noncontrolling interest						(14,920)	(14,920)
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$1,485 (219 shares)		7,282	1,380				8,662
Purchase of treasury shares (17 shares)			(901)				(901)
Payment of cash in lieu for stock split (187 shares)		(58)					(58)
Dividends declared (\$0.47 per common share)					(13,436)		(13,436)
Shares issued for acquisitions (556 shares)		31,050					31,050
Performance share unit dividends equivalents		135			(135)		—
Balance at December 31, 2014	96	222,789	(9,743)	(54,595)	644,556	20,946	824,049
Net income					(13,067)	1,745	(11,322)
Other comprehensive loss				33,656			33,656
Cash distributions to noncontrolling interest						(3,206)	(3,206)
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$819 (187 shares)		(4,382)	5,930				1,548
Purchase of treasury shares (1,193 shares)			(49,089)				(49,089)
Dividends declared (\$0.575 per common share)					(16,200)		(16,200)
Shares issued for acquisitions (77 shares)		4,303					4,303
Performance share unit dividends equivalents		138			(138)		—
Balance at December 31, 2015	96	222,848	(52,902)	(20,939)	615,151	19,485	783,739
Net income					11,594	2,876	14,470
Other comprehensive income				8,471			8,471
Cash distributions to noncontrolling interest						(5,853)	(5,853)
Other changes in noncontrolling interest						(172)	(172)
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$458 (196 shares)		67	7,489				7,556
Dividends declared (\$0.625 per common share)					(17,514)		(17,514)
Stock award dividend equivalents		(5)	30		(25)		—
Balance at December 31, 2016	\$ 96	\$ 222,910	\$ (45,383)	\$ (12,468)	\$ 609,206	\$ 16,336	\$ 790,697

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Consolidation

These Consolidated Financial Statements include the accounts of The Andersons, Inc. and its wholly owned and controlled subsidiaries (the "Company"). All intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated entities in which the Company has significant influence, but not control, are accounted for using the equity method of accounting.

In the opinion of management, all adjustments consisting of normal recurring items, considered necessary for a fair presentation of the results of operations for the periods indicated, have been made.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an initial maturity of three months or less. The carrying values of these assets approximate their fair values.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and may bear interest if past due. The allowance for doubtful accounts is the best estimate of the amount of probable credit losses in existing accounts receivable. The allowance for doubtful accounts is reviewed quarterly. The allowance is based both on specific identification of potentially uncollectible accounts and the application of a consistent policy, based on historical experience, to estimate the allowance necessary for the remaining accounts receivable. For those customers that are thought to be at higher risk, the Company makes assumptions as to collectability based on past history and facts about the current situation. Account balances are charged off against the allowance when it becomes more certain that the receivable will not be recovered. The Company manages its exposure to counter-party credit risk through credit analysis and approvals, credit limits and monitoring procedures.

Commodity Derivatives and Inventories

The Company's operating results can be affected by changes to commodity prices. The Grain and Ethanol businesses have established "unhedged" position limits (the amount of a commodity, either owned or contracted for, that does not have an offsetting derivative contract to mitigate the price risk associated with those contracts and inventory). To reduce the exposure to market price risk on commodities owned and forward grain and ethanol purchase and sale contracts, the Company enters into exchange traded commodity futures and options contracts and over-the-counter forward and option contracts with various counterparties. The exchange traded contracts are primarily via the Chicago Mercantile Exchange ("CME".) The forward purchase and sale contracts are for physical delivery of the commodity in a future period. Contracts to purchase commodities from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of commodities to processors or other commercial consumers generally do not extend beyond one year.

The Company accounts for its commodity derivatives at fair value. The estimated fair value of the commodity derivative contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received, also known as margin deposits) within commodity derivative assets or liabilities. Management determines fair value based on exchange-quoted prices and in the case of its forward purchase and sale contracts, fair value is adjusted for differences in local markets and non-performance risk. While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges.

Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices, changes in performance or credit risk, or due to sale, maturity or extinguishment of the commodity contract) and grain inventories are included in cost of sales and merchandising revenues in the Consolidated Statements of Operations. The Company has changed its policy to align with standard industry practice and has applied this change for all periods beginning in 2015. Previously, these gains and losses were included in sales and merchandising revenues. Additional information about the fair value of the Company's commodity derivatives is presented in Notes 6 and 11 to the Consolidated Financial Statements.

Grain inventories, which are agricultural commodities and may be acquired under provisionally priced contracts, are stated at their net realizable value, which approximates estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

All other inventories are stated at the lower of cost or net realizable value. Cost is determined by the average cost method. Additional information about inventories is presented in Note 2 to the Consolidated Financial Statements.

Derivatives - Master Netting Arrangements

Generally accepted accounting principles permit a party to a master netting arrangement to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or obligation to return cash collateral under the same master netting arrangement. The Company has master netting arrangements for its exchange traded futures and options contracts and certain over-the-counter contracts. When the Company enters into a futures, options or an over-the-counter contract, an initial margin deposit may be required by the counterparty. The amount of the margin deposit varies by commodity. If the market price of a future, option or an over-the-counter contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required. The Company nets, by counterparty, its futures and over-the-counter positions against the cash collateral provided or received. The margin deposit assets and liabilities are included in short-term commodity derivative assets or liabilities, as appropriate, in the Consolidated Balance Sheets. Additional information about the Company's master netting arrangements is presented in Note 6 to the Consolidated Financial Statements.

Derivatives - Interest Rate and Foreign Currency Contracts

The Company periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. The Company's long-term interest rate swap was recorded in other current liabilities and expired in 2016. Prior to expiration, it was designated as a cash flow hedge; accordingly, changes in the fair value of this instrument were recognized in other comprehensive income. The Company has other interest rate contracts recorded in other assets that are not designated as hedges. While the Company considers all of its derivative positions to be effective economic hedges of specified risks, these interest rate contracts for which hedge accounting is not applied are recorded on the Consolidated Balance Sheets in either other current assets or liabilities (if short-term in nature) or in other assets or other long-term liabilities (if non-current in nature), and changes in fair value are recognized in income as interest expense. Upon termination of a derivative instrument or a change in the hedged item, any remaining fair value recorded on the balance sheet is recorded as interest expense consistent with the cash flows associated with the underlying hedged item. Information regarding the nature and terms of the Company's interest rate derivatives is presented in Note 6 to the Consolidated Financial Statements.

Marketing Agreement

The Company has a marketing agreement that covers certain of its grain facilities, some of which are leased from Cargill, Incorporated ("Cargill"). Under the five-year amended and restated agreement (renewed in December 2013 and ending May 2018), the Company sells grain from these facilities to Cargill at market prices. Income earned from operating the facilities (including buying, storing and selling grain and providing grain marketing services to its producer customers) over a specified threshold is shared equally with Cargill. Measurement of this threshold is made on a cumulative basis and cash is paid to Cargill on an annual basis. The Company recognizes its pro rata share of income every month and accrues for any payment owed to Cargill. The balance included in customer prepayments and deferred revenue was \$5.8 million and \$4.5 million as of December 31, 2016 and December 31, 2015, respectively.

Rail Group Assets Leased to Others

The Company's Rail Group purchases, leases, markets and manages railcars and barges for third parties and for internal use. Rail Group assets to which the Company holds title are shown on the balance sheet in one of two categories - other current assets (for those that are available for sale) or Rail Group assets leased to others. Rail Group assets leased to others, both on short and long-term leases, are classified as long-term assets and are depreciated over their estimated useful lives.

Railcars have statutory lives of either 40 or 50 years, measured from the date built. Barges have estimated lives of 30 to 40 years, measured from the date built. At the time of purchase, the remaining life is used in determining useful lives which are depreciated on a straight-line basis. Repairs and maintenance costs are charged to expense as incurred. Additional information regarding Rail Group assets leased to others is presented in Note 3 to the Consolidated Financial Statements.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Repairs and maintenance costs are charged to expense as incurred, while betterments that extend useful lives are capitalized. Depreciation is provided over the estimated useful lives of the individual assets, by the straight-line method. Estimated useful lives are generally as follows: land improvements - 16 years; leasehold improvements - the shorter of the lease term or the estimated useful life of the improvement, ranging from 3 to 20 years; buildings and storage facilities - 10 to 40 years; and machinery and equipment - 3 to 20 years. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts, with any gain or loss realized upon sale or disposal credited or charged to operations.

Additional information regarding the Company's property, plant and equipment is presented in Note 3 to the Consolidated Financial Statements.

Deferred Debt Issue Costs

Costs associated with the issuance of debt are deferred. These costs are amortized, as a component of interest expense, over the earlier of the stated term of the debt or the period from the issue date through the first early payoff date without penalty, or the expected payoff date if the loan does not contain a prepayment penalty. Deferred costs associated with the borrowing arrangement with a syndication of banks are amortized over the term of the agreement.

Goodwill and Intangible Assets

Goodwill is not amortized but is subject to annual impairment tests or more often when events or circumstances indicate that the carrying amount of goodwill may be impaired. A goodwill impairment loss is recognized to the extent the carrying amount of goodwill exceeds the implied fair value of goodwill. Additional information about the Company's goodwill and other intangible assets is presented in Note 4 to the Consolidated Financial Statements.

Acquired intangible assets are recorded at cost, less accumulated amortization, if not indefinite lived. In addition, we capitalize the salaries and payroll-related costs of employees and consultants who devote time to the development of internal-use software projects. If a project constitutes an enhancement to previously-developed software, we assess whether the enhancement is significant and creates additional functionality to the software, thus qualifying the work incurred for capitalization. The amounts charged to expense for the years ended December 31, 2016, 2015 and 2014 for amortization of capitalized computer software costs were approximately \$7.1 million, \$6.5 million, and \$3.8 million, respectively. Unamortized computer software costs in the Consolidated Balance Sheets were \$47.2 million and \$52.2 million as of December 31, 2016 and 2015, respectively. Once a project is complete, we estimate the useful life of the internal-use software, and we periodically assess whether the software is impaired. Changes in our estimates related to internal-use software would increase or decrease operating expenses or amortization recorded during the period.

Amortization of intangible assets is provided over their estimated useful lives (generally 3 to 10 years) on the straight-line method.

Impairment of Long-lived Assets

Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of the assets to the undiscounted future net cash flows the Company expects to generate with the assets. If such assets are considered to be impaired, the Company recognizes an impairment loss for the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Provisionally Priced Grain Contracts

Accounts payable for grain includes certain amounts related to grain purchases for which, even though the Company has taken ownership and possession of the grain, the final purchase price has not been fully established. If the futures and basis components are unpriced, it is referred to as a delayed price payable. If the futures component has not been established, but the basis has been set, it is referred to as a basis payable. The unpriced portion of these payables will be exposed to changes in the fair value of the underlying commodity based on quoted prices on commodity exchanges (or basis levels). Those payables that are fully priced are not considered derivative instruments.

The Company also enters into contracts with customers for risk management purposes that allow the customers to effectively unprice the futures component of their inventory for a period of time, subjecting the bushels to market fluctuations. The Company records an asset or liability for the market value changes of the commodities over the life of the contracts based on quoted Chicago Board of Trade ("CBOT") prices. See Note 11 for additional discussion on these instruments.

Stock-Based Compensation

Stock-based compensation expense for all stock-based compensation awards is based on the estimated grant-date fair value. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, adjusted for revisions to performance expectations. Additional information about the Company's stock compensation plans is presented in Note 16 to the Consolidated Financial Statements.

Deferred Compensation Liability

Included in accrued expenses are \$9.7 million and \$11.1 million at December 31, 2016 and 2015, respectively, of deferred compensation for certain employees who, due to Internal Revenue Service guidelines, may not take full advantage of the Company's qualified defined contribution plan. Assets funding this plan are recorded at fair value in other current assets and have been classified as trading securities with changes in the fair value recorded in earnings as a component of other income, net. Changes in the fair value of the deferred compensation liability are reflected in earnings as a component of operating, administrative, and general expenses.

Revenue Recognition

The Company follows a policy of recognizing sales revenue at the time of delivery of the product and when all of the following have occurred: a sales agreement is in place, pricing is fixed or determinable, and collection is reasonably assured.

Sales of grain and ethanol are primarily recognized at the time of shipment, which is when title and risk of loss transfers to the customer. There are certain transactions that allow for pricing to occur after title of the goods has passed to the customer. In these cases, the Company continues to report the goods in inventory until it recognizes the sales revenue once the price has been determined. Direct ship grain sales (where the Company never takes physical possession of the grain) are recognized when the grain arrives at the customer's facility. Revenues from other grain and ethanol merchandising activities are recognized as services are provided. Sales of other products are recognized at the time title and risk of loss transfers to the customer, which is generally at the time of shipment or, in the case of the retail store sales, when the customer takes possession of the goods. Revenues for all other services are recognized as the service is provided.

Certain of the Company's operations provide for customer billings, deposits or prepayments for product that is stored at the Company's facilities. The sales and gross profit related to these transactions are not recognized until the product is shipped in accordance with the previously stated revenue recognition policy and these amounts are classified as a current liability titled "Customer prepayments and deferred revenue."

Rental revenues on operating leases are recognized on a straight-line basis over the term of the lease. Sales to financial intermediaries of owned railcars or other assets which are subject to an operating lease (with the Company being the lessor in such operating leases prior to the sale, referred to as a "non-recourse transaction") are recognized as revenue on the date of sale if the Company does not maintain substantial risk of ownership in the sold assets. Revenue related to railcar or other asset servicing and maintenance contracts is recognized over the term of the lease or service contract.

Sales returns and allowances are provided for at the time sales are recorded based on historical experience. Shipping and handling charges are included in cost of sales. Sales taxes and motor fuel taxes on ethanol sales are presented on a net basis and are excluded from revenues.

Rail Lease Accounting

In addition to the sale of Rail Group assets that the Company makes to financial intermediaries on a non-recourse basis and records as revenue as discussed above, the Company also acts as the lessor and / or the lessee in various leasing arrangements as described below.

The Company's Rail Group leases assets to customers, manages assets for third parties and leases assets for internal use. The Company acts as the lessor in various operating leases of assets that are owned by the Company, or leased by the Company from financial intermediaries and, in turn, leased by the Company to end-users of the assets. The leases from financial intermediaries are generally structured as sale-leaseback transactions, with the leaseback by the Company being treated as an operating lease.

Certain of the Company's leases include monthly lease fees that are contingent upon some measure of usage ("per diem" leases). This monthly usage is tracked, billed and collected by third-party service providers and funds are generally remitted to the Company along with usage data three months after they are earned. The Company records lease revenue for these per diem arrangements based on recent historical usage patterns and records a true-up adjustment when the actual data is received. Such true-up adjustments were not significant for any period presented.

The Company expenses operating lease payments on a straight-line basis over the lease term. Additional information about leasing activities is presented in Note 14 to the Consolidated Financial Statements.

Income Taxes

Income tax expense for each period includes current tax expense plus deferred expense, which is related to the change in deferred income tax assets and liabilities. Deferred income taxes are provided for temporary differences between the financial reporting basis and the tax basis of assets and liabilities and are measured using enacted tax rates and laws governing periods in which the differences are expected to reverse. The Company evaluates the realizability of deferred tax assets and provides a valuation allowance for amounts that management does not believe are more likely than not to be recoverable, as applicable.

The annual effective tax rate is determined by income tax expense, described above, from continuing operations, described above, as a percentage of pretax book income. Differences in the effective tax rate and the statutory tax rate may be due to permanent items, tax credits, foreign tax rates and state tax rates in jurisdictions in which the Company operates, or changes in valuation allowances.

The Company records reserves for uncertain tax positions when, despite the belief that tax return positions are fully supportable, it is anticipated that certain tax return positions are likely to be challenged and that the Company may not prevail. These reserves are adjusted in light of changing facts and circumstances, such as the progress of a tax audit or the lapse of statutes of limitations.

Additional information about the Company's income taxes is presented in Note 8 to the Consolidated Financial Statements.

Employee Benefit Plans

The Company provides full-time employees hired before January 1, 2003 with postretirement health care benefits. In order to measure the expense and funded status of these employee benefit plans, management makes several estimates and assumptions, including employee turnover rates, anticipated mortality rates and anticipated future healthcare cost trends. These estimates and assumptions are based on the Company's historical experience combined with management's knowledge and understanding of current facts and circumstances. The selection of the discount rate is based on an index given projected plan payouts. Additional information about the Company's employee benefit plans is presented in Note 7 to the Consolidated Financial Statements.

Advertising

Advertising costs are expensed as incurred. Advertising expense of \$4.9 million, \$5.2 million and \$4.5 million in 2016, 2015, and 2014, respectively, is included in operating, administrative and general expenses.

New Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue From Contracts With Customers. The FASB issued subsequent amendments to the initial guidance in August 2015, March 2016, April 2016, May 2016, and December 2016 within ASU 2015-14, ASU 2016-08, ASU 2016-10 ASU 2016-12, and ASU 2016-20 respectively. The core principle of the new revenue model is that an entity recognizes revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. These standards are effective for annual and interim periods beginning after December 15, 2017 and early adoption is permitted. The Company plans on using the modified retrospective method of adoption and does not plan to early adopt.

We do not expect a material impact to the timing or amount of our revenues on the majority of our revenue streams at this point, however the most significant identified changes to date include:

- Taking unamortized gains on certain rail transactions directly to retained earnings on adoption which would have been reflected in periodic earnings under current GAAP.
- Bringing the assets underlying certain recourse financing transactions onto our balance sheet.
- Certain nonrefundable fees may need to be recognized over time instead of at a point in time.

Leasing

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU 2016-02 supersedes the current accounting for leases. The new standard, while retaining two distinct types of leases, finance and operating, (i) requires lessees to record a right of use asset and a related liability for the rights and obligations associated with a lease, regardless of lease classification, and recognize lease expense in a manner similar to current accounting, (ii) eliminates current real estate specific lease provisions, (iii) modifies the lease classification criteria and (iv) aligns many of the underlying lessor model principles with those in the new revenue standard. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within. Early adoption is permitted, however we do not plan to early adopt. Entities are required to use a modified retrospective approach when transitioning to ASU 2016-02 for leases that exist as of or are entered into after the beginning of the earliest comparative period presented in the financial statements.

The Company expects this standard to have the effect of bringing substantially all of the off balance-sheet rail assets currently in nonrecourse financing deals noted in Item 7 of Form 10-K onto our balance sheet along with a corresponding liability for the associated obligations. Additionally, we have other arrangements currently classified as operating leases which will be recorded as a right of use asset and corresponding liability on the balance sheet. The magnitude of these items is substantially less than the rail assets noted above. We expect any impact to our statement of operations to be minimal post adoption.

Other applicable standards

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This standard clarifies how companies present and classify certain cash receipts and payments in the statement of cash flows. The standard is effective for annual and interim periods beginning after December 15, 2017. The Company is currently evaluating when to adopt this standard but has not done so in the current period. At the time of future adoption, the Company will make the election to continue classifying distributions from equity method investments using the cumulative earnings approach which is consistent with current practice.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments. This update changes the accounting for credit losses on loans and held-to-maturity debt securities and requires a current expected credit loss (CECL) approach to determine the allowance for credit losses. This includes allowances for trade receivables. We have not historically had significant credit losses and do not currently anticipate circumstances that would lead to a CECL approach differing from our existing allowance estimates in a material way. The guidance is effective for fiscal years beginning after December 15, 2019 with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. Early adoption is permitted, however we do not plan to do so.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Improvements to Employee Share-Based Payment Accounting. This standard simplifies the accounting treatment for excess tax benefits and deficiencies, forfeitures, and cash flow considerations related to share-based compensation. The standard is effective for annual and interim periods

beginning after December 15, 2016. The Company does not expect this standard to have a material impact on its Consolidated Financial Statements and disclosures.

In January, 2016, the FASB issued Accounting Standards Update No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. This standard provides guidance for the recognition, measurement, presentation, and disclosure of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted. The Company does not expect the impact from adoption of this standard to be material to currently held financial assets and liabilities.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, Simplifying the Measurement of Inventory. This standard requires entities to measure inventory at the lower of cost or net realizable value rather than at the lower of cost or market. The standard is effective for annual and interim periods beginning after December 15, 2016 and will not have an impact on the Company's Consolidated Financial Statements and disclosures

2. Inventories

Major classes of inventories are as follows:

(in thousands)	December 31,	
	2016	2015
Grain	\$ 495,139	\$ 534,548
Ethanol and by-products	10,887	8,576
Plant nutrients and cob products	150,259	172,815
Retail merchandise	20,678	24,510
Railcar repair parts	5,784	6,894
Other	—	56
	<u>\$ 682,747</u>	<u>\$ 747,399</u>

Inventories on the Consolidated Balance Sheets at December 31, 2016 and 2015 do not include 0.9 million and 3.4 million bushels of grain, respectively, held in storage for others. The Company does not have title to the grain and is only liable for any deficiencies in grade or shortage of quantity that may arise during the storage period. Management has not experienced historical losses on any deficiencies and does not anticipate material losses in the future.

3. Property, Plant and Equipment

The components of property, plant and equipment are as follows:

(in thousands)	December 31,	
	2016	2015
Land	\$ 30,672	\$ 29,928
Land improvements and leasehold improvements	79,631	77,191
Buildings and storage facilities	322,856	303,482
Machinery and equipment	392,418	375,028
Construction in progress	12,784	32,871
	<u>838,361</u>	<u>818,500</u>
Less: accumulated depreciation	<u>388,309</u>	<u>363,240</u>
	<u>\$ 450,052</u>	<u>\$ 455,260</u>

Depreciation expense on property, plant and equipment amounted to \$48.9 million, \$46.4 million and \$40.5 million for the years ended 2016, 2015 and 2014, respectively.

In December 2016, the Company recorded charges totaling \$6.0 million for impairment of property, plant and equipment in the Retail segment. This does not include \$0.5 million of impairment charges related to software. The Company wrote down the

value of these assets to the extent their carrying amounts exceeded fair value. The Company classified the significant assumptions used to determine the fair value of the impaired assets as Level 3 inputs in the fair value hierarchy.

In December 2016, the Company recorded charges totaling \$2.3 million for impairment of property, plant and equipment in the Plant Nutrient segment due to the closing of a cob facility.

Rail Group Assets

The components of the Rail Group assets leased to others are as follows:

(in thousands)	December 31,	
	2016	2015
Rail Group assets leased to others	\$ 431,571	\$ 434,051
Less: accumulated depreciation	104,376	95,940
	<u>\$ 327,195</u>	<u>\$ 338,111</u>

Depreciation expense on Rail Group assets leased to others amounted to \$18.6 million, \$17.6 million and \$14.2 million for the years ended 2016, 2015 and 2014, respectively.

4. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by reportable segment for the years ended December 31, 2016, 2015 and 2014 are as follows:

(in thousands)	Grain	Plant Nutrient	Rail	Total
Balance as of January 1, 2014	\$ 38,165	\$ 16,222	\$ 4,167	\$ 58,554
Acquisitions	8,257	5,554	—	13,811
Balance as of December 31, 2014	46,422	21,776	4,167	72,365
Acquisitions	—	47,735	—	47,735
Impairments	(46,422)	(9,744)	—	(56,166)
Balance as of December 31, 2015	—	59,767	4,167	63,934
Acquisitions	—	—	—	—
Balances of December 31, 2016	<u>\$ —</u>	<u>\$ 59,767</u>	<u>\$ 4,167</u>	<u>\$ 63,934</u>

During the fourth quarter of 2015, the Company prospectively changed its annual goodwill impairment testing date from the last day of its fiscal year to the first day of October. The voluntary change was to better align its goodwill impairment testing procedures with its annual planning and budgeting process and to provide the Company with adequate time to evaluate goodwill for impairment. This change in accounting principle does not delay, accelerate, or avoid an impairment loss, nor does the change have a cumulative effect on pre-tax income, net income or loss, retained earnings, or net assets. This change was applied prospectively beginning on October 1, 2015. Retrospective application to prior periods did not occur, as it is impracticable to objectively determine the assumptions that would have been used in those earlier periods to estimate fair value.

In 2016 and 2015, the Company performed quantitative assessments of goodwill. In 2014, the Company performed a combination of quantitative and qualitative assessments of goodwill.

The quantitative approach uses a two-step process. Step 1 compares the business enterprise value ("BEV") of each reporting unit with its carrying value. The BEV was computed based on both an income approach (discounted cash flows) and a market approach. The income approach uses a reporting unit's estimated future cash flows, discounted at the weighted average cost of capital of a hypothetical third-party buyer. The market approach estimates fair value by applying cash flow multiples to the reporting unit's operating performance. The multiples are derived from comparable publicly traded companies with similar operating and investment characteristics to the reporting unit. If the BEV is less than the carrying value for any reporting unit, then Step 2 must be performed. Step 2 compares the implied fair value of goodwill with the carrying amount of goodwill. Any excess of the carrying value of the goodwill over the implied fair value will be recorded as an impairment loss. The calculations of the BEV in Step 1 and the implied fair value of goodwill in Step 2 are based on significant unobservable inputs, such as

price trends, customer demand, material costs, discount rates and asset replacement costs, and are classified as Level 3 in the fair value hierarchy.

In performing the qualitative assessment of goodwill, management considered the following relevant events and circumstances to determine if any reporting units were deemed to be at risk:

- Macroeconomic conditions including, but not limited to deterioration in general economic conditions, limitation on accessing capital, or other developments in equity and credit markets;
- Industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a change in the market for an entity's products or services, or a regulatory or political development;
- Adverse fluctuations in commodity prices
- Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows;
- Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods;
- Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers and;
- Events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

There is a certain degree of uncertainty associated with the key assumptions used. Potential events or changes in circumstances that could reasonably be expected to negatively affect the key assumptions include significant volatility in commodity prices or raw material prices and unanticipated changes in the economy or industries within which the businesses operate.

No goodwill impairment charges were incurred in 2016 as a result of our annual impairment testing.

Within our Plant Nutrient segment, the estimated fair value of our Wholesale reporting unit with \$59.1 million of goodwill, exceeded its carrying value by approximately 8 percent. The discounted cash flow model used in the goodwill impairment test assumed discrete period revenue growth through 2020 that was reflective of market opportunities, changes in product mix from recent acquisitions, and cyclical trends within our wholesale nutrient business. In the terminal year, we assumed a long-term earnings growth rate of 2.5 percent that we believe is appropriate given the current industry-specific expectations. As of the valuation date, we utilized a weighted-average cost of capital of 8.8 percent, which we believe is appropriate as it reflects the relative risk, the time value of money, and is consistent with the peer group of the Wholesale reporting unit. The goodwill fair value is highly sensitive to changes in assumptions, including interest rates and outlook for future volume and margins.

While performing the annual assessment of goodwill impairment in 2015, the Company recorded impairment losses related to our Grain and Farm Center reporting units of \$54.2 million due to compressed margins over the past several years and anticipated unfavorable operating conditions in domestic and global commodity markets, including oil and ethanol, as well as foreign exchange impacts. This is in addition to the \$2.0 million of impairment related to our Cob business which was recognized in the third quarter of that year.

The Company's other intangible assets are as follows:

(in thousands)	Original Cost	Accumulated Amortization	Net Book Value
December 31, 2016			
Intangible asset class			
Customer list	\$ 41,477	\$ 14,958	\$ 26,519
Non-compete agreement	4,594	3,064	1,530
Supply agreement	9,806	4,827	4,979
Technology	15,500	4,243	11,257
Trademarks and patents	18,717	4,335	14,382
Lease intangible	5,514	4,969	545
Software	71,362	24,592	46,770
Other	1,953	1,835	118
	<u>\$ 168,923</u>	<u>\$ 62,823</u>	<u>\$ 106,100</u>
December 31, 2015			
Intangible asset class			
Customer list	\$ 42,561	\$ 12,130	\$ 30,431
Non-compete agreement	4,594	2,517	2,077
Supply agreement	9,806	3,955	5,851
Technology	15,500	2,483	13,017
Trademarks and patents	18,717	2,273	16,444
Lease intangible	5,479	4,586	893
Software	70,846	19,508	51,338
Other	1,953	1,764	189
	<u>\$ 169,456</u>	<u>\$ 49,216</u>	<u>\$ 120,240</u>

Amortization expense for intangible assets was \$16.8 million, \$14.5 million and \$8.8 million for 2016, 2015 and 2014, respectively. Expected future annual amortization expense is as follows: 2017 -- \$16.1 million; 2018 -- \$15.6 million; 2019 -- \$14.8 million; 2020 -- \$13.6 million; and 2021 -- \$12.9 million. In December 2016, the Company recorded a \$0.5 million impairment related to software in the Retail Group. In December 2014, the Company recorded an impairment of \$1.5 million related to a customer list in the Grain Group.

5. Debt

Borrowing Arrangements

The Company is party to borrowing arrangements with a syndicate of banks, which was amended on March 4, 2014, and provides the Company with \$850 million in lines of credit. The Company can designate up to \$400 million of borrowings as long-term when the debt is used for long-term purposes, such as replacing long-term debt that is maturing, funding the purchase of long-term assets, or increasing permanent working capital when needed. It also provides the Company with up to \$90 million in letters of credit. Any amounts outstanding on letters of credit will reduce the amount available on the lines of credit. The Company had standby letters of credit outstanding of \$32.5 million at December 31, 2016. As of December 31, 2016, the Company had \$59.0 million of outstanding borrowings on the lines of credit. Borrowings under the lines of credit bear interest at variable interest rates, which are based off LIBOR plus an applicable spread. The maturity date for the lines of credit is March 2019. Draw downs and repayments that are less than 90 days are recorded on a net basis in the Consolidated Statements of Cash Flows.

The Company also has a line of credit related to The Andersons Denison Ethanol LLC ("TADE"), a consolidated subsidiary. TADE entered into a borrowing arrangement with a syndicate of financial institutions in the second quarter of 2012 which provided a \$21.3 million long-term line of credit. TADE had standby letters of credit outstanding of \$0.2 million at December 31, 2016, which reduces the amount available on the lines of credit. As of December 31, 2016, the Company had no outstanding borrowings on the lines of credit. Borrowings under the lines of credit and the term loan bear interest at variable interest rates, which are based off LIBOR plus an applicable spread. The maturity date is May 20, 2020 for the long-term line of credit. TADE was in compliance with all financial and non-financial covenants as of December 31, 2016, including but not

limited to minimum working capital and net worth. TADE debt is collateralized by the mortgage on the ethanol facility and related equipment or other assets and is not guaranteed by the Company, therefore it is considered non-recourse debt.

The Company's short-term and long-term debt at December 31, 2016 and 2015 consisted of the following:

(in thousands)	December 31,	
	2016	2015
Short-term debt - non-recourse	\$ —	\$ —
Short-term debt - recourse	29,000	16,990
Total short-term debt	\$ 29,000	\$ 16,990
Current maturities of long-term debt – non-recourse	\$ —	\$ —
Current maturities of long-term debt – recourse	47,545	27,786
Total current maturities of long-term debt	\$ 47,545	\$ 27,786
Long-term debt, less current maturities – non-recourse	\$ —	\$ —
Long-term debt, less current maturities – recourse	397,065	436,208
Total long-term debt, less current maturities	\$ 397,065	\$ 436,208

The following information relates to short-term borrowings:

(in thousands, except percentages)	December 31,		
	2016	2015	2014
Maximum amount borrowed	\$ 412,000	\$ 308,500	\$ 270,600
Weighted average interest rate	1.94%	1.64%	1.69%

Long-Term Debt

Recourse Debt

Long-term debt consists of the following:

(in thousands, except percentages)	December 31,	
	2016	2015
Note payable, 4.07%, payable at maturity, due 2021	\$ 26,000	\$ —
Note payable, 3.72%, payable at maturity, due 2017	25,000	25,000
Note payable, 4.55%, payable at maturity, due 2023	24,000	—
Note payable, 4.85%, payable at maturity, due 2026	25,000	—
Note payable, 6.78%, payable at maturity, due 2018	41,500	41,500
Note payable, 4.92%, payable in increasing amounts (\$2.2 million for 2016), plus interest, due 2021 (a)	20,443	22,666
Note payable, 4.76%, payable in increasing amounts (\$2.0 million for 2016) plus interest, due 2028 (a)	47,990	49,949
Note payable, variable rate (3.12% at December 31, 2016), payable in increasing amounts (\$1.3 million for 2016) plus interest, due 2023 (a)	19,179	20,513
Note payable, 3.29%, payable in increasing amounts (\$1.3 million for 2016) plus interest, due 2022 (a)	21,619	22,913
Note payable, 4.23%, payable quarterly in varying amounts (\$0.6 million for 2016) plus interest, due 2021 (a)	11,136	11,770
Notes payable, variable rate, due 2016	—	5,043
Note payable, variable rate (2.21% at December 31, 2016), payable in increasing amounts (\$1.1 million for 2016) plus interest, due 2023 (a)	8,790	9,865
Note payable, variable rate, due 2016 (a)	—	7,350
Note payable, variable rate (2.45% at December 31, 2016), payable in varying amounts (\$0.1 million for 2016), plus interest, due 2026 (a)	9,016	—
Note payable, 4.76%, payable quarterly in varying amounts (\$0.4 million for 2016) plus interest, due 2028 (a)	8,956	9,313
Note payable, 2.21%, payable at maturity (\$75.0 million for 2016) plus interest, due 2019	30,000	105,000
Note payable, 3.33%, payable in increasing amounts (\$1.0 million for 2016) plus interest, due 2025 (a)	27,000	28,000
Note payable, 4.5%, payable at maturity, due 2030	16,000	16,000
Note payable, 5.0%, payable at maturity, due 2040	14,000	14,000
Industrial development revenue bonds:		
Variable rate (3.05% at December 31, 2016), payable at maturity, due 2017 (a)	6,513	6,987
Variable rate (2.36% at December 31, 2016), payable at maturity, due 2019 (a)	4,650	4,650
Variable rate (2.31% at December 31, 2016), payable at maturity, due 2025 (a)	3,100	3,100
Variable rate (2.28% at December 31, 2016), payable at maturity, due 2036	21,000	21,000
Debenture bonds, 2.65% to 5.00%, due 2017 through 2031	36,931	39,375
	\$ 447,823	\$ 463,994
Less: current maturities	47,545	27,786
Less: unamortized prepaid debt issuance costs	3,213	—
	<u>\$ 397,065</u>	<u>\$ 436,208</u>

(a) Debt is collateralized by first mortgages on certain facilities and related equipment or other assets with a book value of \$179.3 million

The Company's short-term and long-term borrowing agreements include both financial and non-financial covenants that, among other things, require the Company at a minimum to maintain:

- tangible net worth of not less than \$300 million;
- current ratio net of hedged inventory of not less than 1.25 to 1.00;
- long-term debt to capitalization of not more than 70%;
- working capital of not less than \$150 million; and
- interest coverage ratio of not less than 2.75 to 1.00.

The Company was in compliance with all financial covenants at and during the years ended December 31, 2016 and 2015.

The aggregate annual maturities of long-term debt are as follows: 2017 -- \$47.5 million; 2018 -- \$55.3 million; 2019 -- \$46.9 million; 2020 -- \$16.4 million; 2021 -- \$62.3 million; and \$219.4 million thereafter.

Non-Recourse Debt

The Company's non-recourse debt, including the lines of credit, held by TADE includes separate financial covenants relating solely to the collateralized TADE assets. The covenants require the following:

- tangible net worth of not less than \$36 million and increasing to \$40 million effective December 31, 2016;
- working capital not less than \$18 million; and
- debt service coverage ratio of not less than 1.25 to 1.00.

6. Derivatives

Commodity Contracts

The Company's operating results are affected by changes to commodity prices. The Grain and Ethanol businesses have established "unhedged" position limits (the amount of a commodity, either owned or contracted for, that does not have an offsetting derivative contract to lock in the price). To reduce the exposure to market price risk on commodities owned and forward grain and ethanol purchase and sale contracts, the Company enters into exchange traded commodity futures and options contracts and over the counter forward and option contracts with various counterparties. These contracts are primarily traded via the regulated Chicago Mercantile Exchange ("CME"). The Company's forward purchase and sales contracts are for physical delivery of the commodity in a future period. Contracts to purchase commodities from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of commodities to processors or other commercial consumers generally do not extend beyond one year.

All of these contracts meet the definition of derivatives. While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges as defined under current accounting standards. The Company accounts for its commodity derivatives at estimated fair value. The estimated fair value of the commodity derivative contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received, also known as margin deposits) within commodity derivative assets or liabilities. Management determines fair value based on exchange-quoted prices and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets and non-performance risk. For contracts for which physical delivery occurs, balance sheet classification is based on estimated delivery date. For futures, options and over-the-counter contracts in which physical delivery is not expected to occur but, rather, the contract is expected to be net settled, the Company classifies these contracts as current or noncurrent assets or liabilities, as appropriate, based on the Company's expectations as to when such contracts will be settled.

Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices, changes in performance or credit risk, or due to sale, maturity or extinguishment of the commodity contract) and grain inventories are included in cost of sales and merchandising revenues. These amounts were previously classified in sales and merchandising revenues but were reclassified starting in the fourth quarter of 2015.

Generally accepted accounting principles permit a party to a master netting arrangement to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or obligation to return cash collateral under the same master netting arrangement. The Company has master netting arrangements for its exchange traded futures and options contracts and certain over-the-counter contracts. When the Company enters into a future, option or an over-the-counter

contract, an initial margin deposit may be required by the counterparty. The amount of the margin deposit varies by commodity. If the market price of a future, option or an over-the-counter contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required. The margin deposit assets and liabilities are included in short-term commodity derivative assets or liabilities, as appropriate, in the Consolidated Balance Sheets.

The following table presents at December 31, 2016 and 2015, a summary of the estimated fair value of the Company's commodity derivative instruments that require cash collateral and the associated cash posted/received as collateral. The net asset or liability positions of these derivatives (net of their cash collateral) are determined on a counterparty-by-counterparty basis and are included within current or noncurrent commodity derivative assets (or liabilities) on the Consolidated Balance Sheets:

(in thousands)	December 31, 2016		December 31, 2015	
	Net Derivative Asset Position	Net Derivative Liability Position	Net Derivative Asset Position	Net Derivative Liability Position
Collateral paid	\$ 28,273	\$ —	\$ 3,008	\$ —
Fair value of derivatives	1,599	—	25,356	—
Balance at end of period	<u>\$ 29,872</u>	<u>\$ —</u>	<u>\$ 28,364</u>	<u>\$ —</u>

The following table presents, on a gross basis, current and noncurrent commodity derivative assets and liabilities:

(in thousands)	December 31, 2016				
	Commodity Derivative Assets - Current	Commodity Derivative Assets - Noncurrent	Commodity Derivative Liabilities - Current	Commodity Derivative Liabilities - Noncurrent	Total
Commodity derivative assets	\$ 36,146	\$ 140	\$ 1,447	\$ 6	\$ 37,739
Commodity derivative liabilities	(18,972)	(40)	(24,614)	(345)	(43,971)
Cash collateral	28,273	—	—	—	28,273
Balance sheet line item totals	<u>\$ 45,447</u>	<u>\$ 100</u>	<u>\$ (23,167)</u>	<u>\$ (339)</u>	<u>\$ 22,041</u>

(in thousands)	December 31, 2015				
	Commodity Derivative Assets - Current	Commodity Derivative Assets - Noncurrent	Commodity Derivative Liabilities - Current	Commodity Derivative Liabilities - Noncurrent	Total
Commodity derivative assets	\$ 51,647	\$ 412	\$ 371	\$ 2	\$ 52,432
Commodity derivative liabilities	(4,829)	—	(37,758)	(1,065)	(43,652)
Cash collateral	3,008	—	—	—	3,008
Balance sheet line item totals	<u>\$ 49,826</u>	<u>\$ 412</u>	<u>\$ (37,387)</u>	<u>\$ (1,063)</u>	<u>\$ 11,788</u>

The gains (losses) included in the Company's Consolidated Statements of Operations and the line items in which they are located are as follows:

(in thousands)	Year Ended December 31,		
	2016	2015	2014
Gains on commodity derivatives included in sales and merchandising revenues	\$ —	—	67,579
Gains (Losses) on commodity derivatives included in cost of sales and merchandising revenues	\$ (15,012)	62,541	—

The Company had the following volume of commodity derivative contracts outstanding (on a gross basis) as of December 31, 2016 and 2015:

Commodity (in thousands)	December 31, 2016			
	Number of Bushels	Number of Gallons	Number of Pounds	Number of Tons
Non-exchange traded:				
Corn	175,549	—	—	—
Soybeans	20,592	—	—	—
Wheat	7,177	—	—	—
Oats	36,025	—	—	—
Ethanol	—	215,081	—	—
Corn oil	—	—	9,358	—
Other	108	1,144	—	110
Subtotal	239,451	216,225	9,358	110
Exchange traded:				
Corn	63,225	—	—	—
Soybeans	39,005	—	—	—
Wheat	45,360	—	—	—
Oats	4,120	—	—	—
Ethanol	—	78,120	—	—
Other	—	—	—	—
Subtotal	151,710	78,120	—	—
Total	391,161	294,345	9,358	110

Commodity (in thousands)	December 31, 2015			
	Number of Bushels	Number of Gallons	Number of Pounds	Number of Tons
Non-exchange traded:				
Corn	227,248	—	—	—
Soybeans	13,357	—	—	—
Wheat	13,710	—	—	—
Oats	15,019	—	—	—
Ethanol	—	138,660	—	—
Corn oil	—	—	11,532	—
Other	297	—	—	116
Subtotal	269,631	138,660	11,532	116
Exchange traded:				
Corn	106,260	—	—	—
Soybeans	17,255	—	—	—
Wheat	28,135	—	—	—
Oats	3,480	—	—	—
Ethanol	—	840	—	—
Other	—	840	—	—
Subtotal	155,130	1,680	—	—
Total	424,761	140,340	11,532	116

Interest Rate Derivatives

The Company periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. One of the Company's interest rate swaps had been reclassified to other current liabilities at December 31, 2015 as it matured in 2016 and was designated as a cash flow hedge; accordingly, changes in the fair value of this instrument were recognized in other comprehensive income. The terms of the swap matched the terms of the underlying debt instrument. The deferred derivative gains and losses on the interest rate swap were reclassified into income over the term of the underlying hedged items.

The Company has other interest rate contracts that are not designated as hedges. While the Company considers all of its interest rate derivative positions to be effective economic hedges of specified risks, these interest rate contracts are recorded on the balance sheet in other current assets or liabilities (if short-term in nature) or in other assets or other long-term liabilities (if non-current in nature) and changes in fair value are recognized currently in earnings as a component of interest expense. At December 31, 2016, the Company had several interest rate hedging instruments that are not accounted for as hedges, with notional amounts totaling \$63.0 million.

The following table presents the open interest rate contracts at December 31, 2016:

Interest Rate Hedging Instrument	Year Entered	Year of Maturity	Initial Notional Amount (in millions)	Hedged Item	Interest Rate
Long-term					
Swap	2012	2023	\$ 23.0	Interest rate component of debt - not accounted for as a hedge	1.9%
Collar	2013	2021	\$ 40.0	Interest rate component of debt - not accounted for as a hedge	2.9% to 4.8%

At December 31, 2016 and 2015, the Company had recorded the following amounts for the fair value of the Company's interest rate derivatives:

(in thousands)	December 31,	
	2016	2015
Derivatives not designated as hedging instruments		
Interest rate contracts included in other long term liabilities	\$ (2,530)	\$ (3,133)
Total fair value of interest rate derivatives not designated as hedging instruments	\$ (2,530)	\$ (3,133)
Derivatives designated as hedging instruments		
Interest rate contract included in other short term liabilities	\$ —	\$ (191)
Total fair value of interest rate derivatives designated as hedging instruments	\$ —	\$ (191)

The losses included in the Company's Consolidated Statements of Operations and the line item in which they are located for interest rate derivatives not designated as hedging instruments are as follows:

(in thousands)	Year ended December 31,	
	2016	2015
Interest expense	\$ 603	\$ (1,065)

The Company also has foreign currency derivatives which are considered effective economic hedges of specified economic risks but which are not designated as accounting hedges. At December 31, 2016 and 2015, the Company had recorded the following amounts for the fair value of the Company's foreign currency derivatives:

(in thousands)	December 31, 2016	December 31, 2015
<i>Derivatives not designated as hedging instruments</i>		
Foreign currency contracts included in short term assets	\$ (112)	\$ —
Total fair value of foreign currency contract derivatives not designated as hedging instruments	<u>\$ (112)</u>	<u>\$ —</u>

The gains and losses included in the Company's Consolidated Statements of Operations and the line item in which they are located for foreign currency contract derivatives not designated as hedging instruments are as follows:

(in thousands)	Year ended December 31, 2016	2015
Foreign currency derivative gains (losses) included in Other income, net	<u>\$ (112)</u>	<u>\$ —</u>

7. Employee Benefit Plans

The Company provides certain full-time employees with pension benefits under defined benefit and defined contribution plans. The measurement date for all plans is December 31. The Company's expense for its defined contribution plans amounted to \$7.8 million in 2016, \$8.7 million in 2015 and \$11.2 million in 2014. The Company also provides certain health insurance benefits to employees as well as retirees.

The Company has an unfunded noncontributory defined benefit pension plan. The plan provides defined benefits based on years of service and average monthly compensation using a career average formula. Pension benefits were frozen at July 1, 2010. The Company also had a funded defined benefit plan which was terminated in 2015.

Effective December 2015, the funded defined benefit plan (the "Plan") was amended to include a lump-sum pension benefit payout option for certain plan participants. In addition, in December 2015, the Plan completed the purchase of group annuity contracts that transferred the liability for the remaining retirees and active employees who did not elect a lump sum option to an insurance company. As a result of these changes, we recognized pension settlement charges of \$31.9 million after tax (\$51.4 million pre-tax) during the twelve months ended December 31, 2015.

The Company also has postretirement health care benefit plans covering substantially all of its full time employees hired prior to January 1, 2003. These plans are generally contributory and include a cap on the Company's share of the related costs.

Obligation and Funded Status

Following are the details of the obligation and funded status of the pension and postretirement benefit plans:

(in thousands)	Pension Benefits		Postretirement Benefits	
Change in benefit obligation	2016	2015	2016	2015
Benefit obligation at beginning of year	\$ 8,677	\$ 133,984	\$ 39,152	\$ 42,300
Service cost	—	236	760	900
Interest cost	194	182	1,549	1,584
Actuarial (gains) losses	(421)	(6,299)	(10,823)	(4,762)
Participant contributions	—	—	653	535
Retiree drug subsidy received	—	—	5	138
Benefits paid	(1,338)	(119,426)	(1,539)	(1,543)
Benefit obligation at end of year	<u>\$ 7,112</u>	<u>\$ 8,677</u>	<u>\$ 29,757</u>	<u>\$ 39,152</u>

(in thousands)

Change in plan assets	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Fair value of plan assets at beginning of year	\$ 285	\$ 116,041	\$ —	\$ —
Actual gains on plan assets	—	517	—	—
Company contributions	1,053	3,153	886	1,008
Participant contributions	—	—	653	535
Benefits paid	(1,338)	(119,426)	(1,539)	(1,543)
Fair value of plan assets at end of year	\$ —	\$ 285	\$ —	\$ —
Under funded status of plans at end of year	\$ (7,112)	\$ (8,392)	\$ (29,757)	\$ (39,152)

Amounts recognized in the Consolidated Balance Sheets at December 31, 2016 and 2015 consist of:

(in thousands)	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Accrued expenses	\$ (1,295)	\$ (1,051)	\$ (1,148)	\$ (1,247)
Employee benefit plan obligations	(5,817)	(7,341)	(28,609)	(37,905)
Net amount recognized	\$ (7,112)	\$ (8,392)	\$ (29,757)	\$ (39,152)

Following are the details of the pre-tax amounts recognized in accumulated other comprehensive loss at December 31, 2016:

(in thousands)	Pension Benefits		Postretirement Benefits	
	Unamortized Actuarial Net Losses	Unamortized Prior Service Costs	Unamortized Actuarial Net Losses	Unamortized Prior Service Costs
Balance at beginning of year	\$ 4,811	\$ —	\$ 11,988	\$ (355)
Amounts arising during the period	(421)	—	(10,823)	—
Amounts recognized as a component of net periodic benefit cost	(146)	—	(768)	355
Balance at end of year	\$ 4,244	\$ —	\$ 397	\$ —

The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic benefit cost during the next fiscal year, excluding the impact of the pension termination, are as follows:

(in thousands)	Pension	Postretirement	Total
Prior service cost	\$ —	\$ (355)	\$ (355)
Net actuarial loss	146	768	914

Amounts applicable to the Company's defined benefit plans with accumulated benefit obligations in excess of plan assets are as follows:

(in thousands)	December 31,	
	2016	2015
Projected benefit obligation	\$ 7,112	\$ 8,392
Accumulated benefit obligation	\$ 7,112	\$ 8,392

The combined benefits expected to be paid for all Company defined benefit plans over the next ten years (in thousands) are as follows:

Year	Expected Pension Benefit Payout	Expected Postretirement Benefit Payout	Medicare Part D Subsidy
2017	\$ 1,295	\$ 987	\$ (161)
2018	1,368	1,006	(177)
2019	1,405	1,020	(194)
2020	1,289	1,039	(213)
2021	1,180	1,057	(232)
2022-2026	1,101	6,203	(1,134)

Following are components of the net periodic benefit cost for each year:

(in thousands)	Pension Benefits			Postretirement Benefits		
	December 31,			December 31,		
	2016	2015	2014	2016	2015	2014
Service cost	\$ —	\$ 236	\$ 180	\$ 760	\$ 900	\$ 687
Interest cost	194	182	4,774	1,549	1,584	1,511
Expected return on plan assets	—	—	(7,615)	(355)	(543)	(543)
Recognized net actuarial loss	146	1,516	934	768	1,517	812
Benefit cost (income)	\$ 340	\$ 1,934	\$ (1,727)	\$ 2,722	\$ 3,458	\$ 2,467

Following are weighted average assumptions of pension and postretirement benefits for each year:

	Pension Benefits			Postretirement Benefits		
	2016	2015	2014	2016	2015	2014
Used to Determine Benefit Obligations at Measurement Date						
Discount rate (a)	N/A	N/A	0.65%	4.0%	4.2%	3.9%
Used to Determine Net Periodic Benefit Cost for Years ended December 31						
Discount rate (b)	N/A	0.65%	4.7%	4.2%	3.9%	4.8%
Expected long-term return on plan assets	N/A	N/A	7%	—	—	—
Rate of compensation increases	N/A	N/A	N/A	—	—	—

- (a) In 2014, the calculated discount rate for the unfunded pension plan was different than the defined benefit pension plan. The calculated rate for the unfunded employee retirement plan was 2.40%, 2.60% and 2.40% in 2016, 2015 and 2014, respectively. Since it was terminated in 2015, the defined benefit pension plan did not have a discount rate in 2015 or 2016.
- (b) In 2015 and 2014, the calculated discount rate for the unfunded pension plan was different than the defined benefit pension plan. The calculated rate for the unfunded employee retirement plan was 2.60%, 2.40% and 2.90% in 2016, 2015 and 2014, respectively. Since it was terminated in 2015, the defined benefit pension plan did not have a discount rate in 2015 or 2016.

Assumed Health Care Cost Trend Rates at Beginning of Year

	2016	2015
Health care cost trend rate assumed for next year	5.0%	5.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2017	2017

The assumed health care cost trend rate has an effect on the amounts reported for postretirement benefits. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	One-Percentage-Point	
	Increase	Decrease
Effect on total service and interest cost components in 2016	\$ (3,803)	\$ 3,182
Effect on postretirement benefit obligation as of December 31, 2016	(130,198)	113,429

8. Income Taxes

Income tax provision (benefit) applicable to continuing operations consists of the following:

(in thousands)	Year ended December 31,		
	2016	2015	2014
Current:			
Federal	\$ (702)	\$ (3,237)	\$ 32,600
State and local	199	(762)	5,677
Foreign	1,385	1,224	1,409
	<u>\$ 882</u>	<u>\$ (2,775)</u>	<u>\$ 39,686</u>
Deferred:			
Federal	\$ 3,523	\$ 1,756	\$ 19,741
State and local	1,696	519	1,830
Foreign	810	258	244
	<u>\$ 6,029</u>	<u>\$ 2,533</u>	<u>\$ 21,815</u>
Total:			
Federal	\$ 2,821	\$ (1,481)	\$ 52,341
State and local	1,895	(243)	7,507
Foreign	2,195	1,482	1,653
	<u>\$ 6,911</u>	<u>\$ (242)</u>	<u>\$ 61,501</u>

Income (loss) before income taxes from continuing operations consists of the following:

(in thousands)	Year ended December 31,		
	2016	2015	2014
U.S.	\$ 11,526	\$ (18,867)	\$ 174,262
Foreign	9,855	7,303	9,884
	<u>\$ 21,381</u>	<u>\$ (11,564)</u>	<u>\$ 184,146</u>

A reconciliation from the statutory U.S. federal tax rate to the effective tax rate follows:

	Year ended December 31,		
	2016	2015	2014
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
Increase (decrease) in rate resulting from:			
Effect of noncontrolling interest	(4.7)	5.3	(2.5)
State and local income taxes, net of related federal taxes	5.8	1.4	2.7
Income taxes on foreign earnings	(1.3)	9.4	(0.4)
Change in pre-acquisition tax liability and other costs	—	3.5	—
Tax associated with accrued and unpaid dividends	3.2	(13.6)	—
Goodwill impairment	—	(35.6)	—
Nondeductible compensation	2.0	(5.0)	0.2
Federal income tax credits	(7.3)	—	—
Other, net	(0.4)	1.7	(1.6)
Effective tax rate	32.3%	2.1%	33.4%

Net income tax refunds of \$(10.6) million were received in 2016 and net income taxes of \$4.9 million and \$36.8 million were paid in 2015 and 2014, respectively.

Significant components of the Company's deferred tax liabilities and assets are as follows:

(in thousands)	December 31,	
	2016	2015
Deferred tax liabilities:		
Property, plant and equipment and Rail Group assets leased to others	\$ (179,250)	\$ (170,588)
Equity method investments	(45,244)	(45,673)
Other	(22,286)	(22,261)
	(246,780)	(238,522)
Deferred tax assets:		
Employee benefits	25,403	27,160
Accounts and notes receivable	2,964	2,611
Inventory	9,979	11,918
Federal income tax credits	7,150	—
Net operating loss carryforwards	3,322	4,542
Other	16,224	13,583
Total deferred tax assets	65,042	59,814
Valuation allowance	(310)	(593)
	64,732	59,221
Net deferred tax liabilities	\$ (182,048)	\$ (179,301)

On December 31, 2016, the Company had \$4.0 million, \$66.9 million and \$0.1 million of U.S. Federal, state and non-U.S. net operating loss carryforwards that begin to expire in 2034, 2017 and 2035, respectively. The Company also has \$6.0 million of general business credits that expire after 2036 and \$1.1 million of foreign tax credits that begin to expire after 2025.

During 2016, the Company entered into agreements with several unrelated third-parties to fund qualified railroad track maintenance expenditures. In return, railroad track miles were assigned to the Company which enabled the Company to claim railroad track maintenance credits pursuant to section 45G of the Internal Revenue Code of 1986. \$2.6 million of tax benefit was realized as a result of the agreements for the year ended December 31, 2016, resulting in a \$0.8 million current tax provision benefit. \$6.0 million of credits have been deferred to future periods which, upon realization, will result in a \$1.8 million current tax provision benefit. The railroad track maintenance credits are general business credits included in federal income tax credits above.

The Company or one of its subsidiaries files income tax returns in the U.S., various foreign jurisdictions and various state and local jurisdictions. The Company is no longer subject to examinations by foreign jurisdictions for years before 2011 and is no

longer subject to examinations by U.S. tax authorities for years before 2013. During 2016, the Internal Revenue Service completed an examination of the Company's U.S. income tax returns for years 2011 and 2012. The Company is no longer subject to examination by state tax authorities in most states for tax years before 2013.

A reconciliation of the January 1, 2014 to December 31, 2016 amount of unrecognized tax benefits is as follows:

(in thousands)

Balance at January 1, 2014	\$	1,110
Additions based on tax positions related to the current year		125
Additions based on tax positions related to prior years		384
Reductions as a result of a lapse in statute of limitations		(132)
Balance at December 31, 2014		1,487
Additions based on tax positions related to the current year		55
Additions based on tax positions related to prior years		691
Reductions based on tax positions related to prior years		(518)
Reductions as a result of a lapse in statute of limitations		(284)
Balance at December 31, 2015		1,431
Additions based on tax positions related to the current year		113
Additions based on tax positions related to prior years		—
Reductions based on tax positions related to prior years		(40)
Reductions as a result of a lapse in statute of limitations		(52)
Balance at December 31, 2016	\$	1,452

The Company anticipates a \$1.1 million decrease in the reserve during the next 12 months due to the settling of state tax appeals and a lapse in statute of limitations. Dependent upon the lapse in statute and the outcome of the state tax appeals, the total liability for unrecognized tax benefits as of December 31, 2016 could impact the effective tax rate.

The Company has elected to classify interest and penalties as interest expense and penalty expense, respectively, rather than as income tax expense. The Company has \$0.4 million accrued for the payment of interest and penalties at December 31, 2016. The net interest and penalties expense for 2016 is \$0.2 million, due to increased uncertain tax positions. The Company had \$0.6 million accrued for the payment of interest and penalties at December 31, 2015. The net interest and penalties expense for 2015 was \$0.1 million.

9. Accumulated Other Comprehensive Loss

The following tables summarize the after-tax components of accumulated other comprehensive income (loss) attributable to the Company for the years ended December 31, 2016, 2015, and 2014:

Changes in Accumulated Other Comprehensive Income (Loss) by Component (a)

(in thousands)	For the Year Ended December 31, 2016				
	Losses on Cash Flow Hedges	Foreign Currency Translation Adjustments	Investment in Debt Securities	Defined Benefit Plan Items	Total
Beginning Balance	\$ (111)	\$ (12,041)	\$ 126	\$ (8,913)	\$ (20,939)
Other comprehensive income before reclassifications	111	1,039	—	7,668	8,818
Amounts reclassified from accumulated other comprehensive loss	—	—	(126)	(221)	(347)
Net current-period other comprehensive income	111	1,039	(126)	7,447	8,471
Ending balance	\$ —	\$ (11,002)	\$ —	\$ (1,466)	\$ (12,468)

Changes in Accumulated Other Comprehensive Income (Loss) by Component (a)

For the Year Ended December 31, 2015					
(in thousands)	Losses on Cash Flow Hedges	Foreign Currency Translation Adjustments	Investment in Debt Securities	Defined Benefit Plan Items	Total
Beginning Balance	\$ (364)	\$ (4,709)	\$ 126	\$ (49,648)	\$ (54,595)
Other comprehensive income before reclassifications	253	(7,332)	—	(24,746)	\$ (31,825)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	65,481	\$ 65,481
Net current-period other comprehensive income	253	(7,332)	—	40,735	33,656
Ending balance	\$ (111)	\$ (12,041)	\$ 126	\$ (8,913)	\$ (20,939)

Changes in Accumulated Other Comprehensive Income (Loss) by Component (a)

For the Year Ended December 31, 2014					
(in thousands)	Losses on Cash Flow Hedges	Foreign Currency Translation Adjustments	Investment in Debt Securities	Defined Benefit Plan Items	Total
Beginning Balance	\$ (637)	\$ —	\$ 7,861	\$ (28,405)	\$ (21,181)
Other comprehensive income before reclassifications	273	(4,709)	(7,735)	(20,904)	\$ (33,075)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	(339)	\$ (339)
Net current-period other comprehensive income	273	(4,709)	(7,735)	(21,243)	(33,414)
Ending balance	\$ (364)	\$ (4,709)	\$ 126	\$ (49,648)	\$ (54,595)

(a) All amounts are net of tax. Amounts in parentheses indicate debits

The Following tables show the reclassification adjustments from accumulated other comprehensive income to net income for the years ended December 31, 2016, 2015, and 2014:

Reclassifications Out of Accumulated Other Comprehensive Income (a)

(in thousands)	For the Year Ended December 31, 2016	
Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income Is Presented
Defined Benefit Plan Items		
Amortization of prior-service cost	\$ (354)	(b)
	(354)	Total before tax
	133	Tax expense
	<u>\$ (221)</u>	Net of tax
Other Items		
Recognition of gain on sale of investment	\$ (200)	(b)
	(200)	Total before tax
	74	Tax expense
	<u>\$ (126)</u>	Net of tax
Total reclassifications for the period	\$ (347)	Net of tax

Reclassifications Out of Accumulated Other Comprehensive Income (a)

(in thousands)

Details about Accumulated Other Comprehensive Income Components	For the Year Ended December 31, 2015	
	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income Is Presented
Defined Benefit Plan Items		
Amortization of prior-service cost	\$ (543)	(b)
	(543)	Total before tax
	204	Tax expense
	<u>\$ (339)</u>	Net of tax
Settlement of defined benefit pension plan	(64,939)	
	(64,939)	Total before tax
	24,746	Tax expense
	<u>(40,193)</u>	Net of tax
Total reclassifications for the period	<u>\$ (40,532)</u>	Net of tax

Reclassifications Out of Accumulated Other Comprehensive Income (a)

(in thousands)

Details about Accumulated Other Comprehensive Income Components	For the Year Ended December 31, 2014	
	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income Is Presented
Defined Benefit Plan Items		
Amortization of prior-service cost	\$ (543)	(b)
	(543)	Total before tax
	204	Tax expense
	<u>\$ (339)</u>	Net of tax
Total reclassifications for the period	<u>\$ (339)</u>	Net of tax

(a) Amounts in parentheses indicate debits to profit/loss

(b) This accumulated other comprehensive income component is included in the computation of net periodic benefit cost (see Note 7. Employee Benefit Plans footnote for additional details)

10. Earnings Per Share

Unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and are included in the computation of earnings per share pursuant to the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. The Company's non-vested restricted stock granted is considered a participating security since the share-based awards contain a non-forfeitable right to dividends irrespective of whether the awards ultimately vest.

The computation of basic and diluted earnings per share is as follows:

(in thousands except per common share data)	Year ended December 31,		
	2016	2015	2014
Net income (loss) attributable to The Andersons, Inc.	\$ 11,594	\$ (13,067)	\$ 109,726
Less: Distributed and undistributed earnings allocated to non-vested restricted stock	9	29	569
Earnings available to common shareholders	\$ 11,585	\$ (13,096)	\$ 109,157
Earnings per share – basic:			
Weighted average shares outstanding – basic	28,193	28,288	28,367
Earnings per common share – basic	\$ 0.41	\$ (0.46)	\$ 3.85
Earnings per share – diluted:			
Weighted average shares outstanding – basic	28,193	28,288	28,367
Effect of dilutive awards	238	—	85
Weighted average shares outstanding – diluted	28,431	28,288	28,452
Earnings per common share – diluted	\$ 0.41	\$ (0.46)	\$ 3.84

No antidilutive stock-based awards were outstanding at December 31, 2016 or 2014. All outstanding share awards were antidilutive at December 31, 2015 as the Company experienced a net loss.

11. Fair Value Measurements

Generally accepted accounting principles define fair value as an exit price and also establish a framework for measuring fair value. An exit price represents the amount that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering such assumptions, a three-tier fair value hierarchy is used, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 inputs: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs: Unobservable inputs (e.g., a reporting entity's own data).

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following table presents the Company's assets and liabilities that are measured at fair value on a nonrecurring basis at December 31, 2016. No nonrecurring fair value measurements were made at December 31, 2015:

(in thousands)	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets (liabilities)				
Property, plant and equipment (a)	\$ —	\$ —	\$ 11,210	\$ 11,210
Total	\$ —	\$ —	\$ 11,210	\$ 11,210

- (a) The Company recognized impairment charges on certain retail and cob assets during 2016 and measured the fair value using Level 3 inputs on a nonrecurring basis. The fair value of the retail assets was determined using third-party appraisals and the cob assets were based upon liquidation value.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

(in thousands) Assets (liabilities)	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ —	\$ —	\$ —	\$ —
Restricted cash	471	—	—	471
Commodity derivatives, net (a)	29,872	(7,831)	—	22,041
Provisionally priced contracts (b)	(105,321)	(64,876)	—	(170,197)
Convertible preferred securities (c)	—	—	3,294	3,294
Other assets and liabilities (d)	9,391	(2,530)	—	6,861
Total	\$ (65,587)	\$ (75,237)	\$ 3,294	\$ (137,530)

(in thousands) Assets (liabilities)	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 26,931	\$ —	\$ —	\$ 26,931
Restricted cash	450	—	—	450
Commodity derivatives, net (a)	26,890	(15,101)	—	11,789
Provisionally priced contracts (b)	(133,842)	(103,148)	—	(236,990)
Convertible preferred securities (c)	—	—	13,550	13,550
Other assets and liabilities (d)	8,635	(3,324)	350	5,661
Total	\$ (70,936)	\$ (121,573)	\$ 13,900	\$ (178,609)

(a) Includes associated cash posted/received as collateral

(b) Included in "Provisionally priced contracts" are those instruments based only on underlying futures values (Level 1) and delayed price contracts (Level 2)

(c) Recorded in "Other noncurrent assets" on the Company's Consolidated Balance Sheets

(d) Included in other assets and liabilities are deferred compensation assets, ethanol risk management contracts, and foreign exchange derivative contracts (Level 1), interest rate derivatives (Level 2), and contingent consideration to the former owners of Kay Flo Industries, Inc (Level 3).

Level 1 commodity derivatives reflect the fair value of the exchanged-traded futures and options contracts that the Company holds, net of the cash collateral that the Company has in its margin account.

The majority of the Company's assets and liabilities measured at fair value are based on the market approach valuation technique. With the market approach, fair value is derived using prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Company's net commodity derivatives primarily consist of futures or options contracts via regulated exchanges and contracts with producers or customers under which the future settlement date and bushels (or gallons in the case of ethanol contracts) of commodities to be delivered (primarily wheat, corn, soybeans and ethanol) are fixed and under which the price may or may not be fixed. Depending on the specifics of the individual contracts, the fair value is derived from the futures or options prices on the CME or the New York Mercantile Exchange for similar commodities and delivery dates as well as observable quotes for local basis adjustments (the difference, which is attributable to local market conditions, between the quoted futures price and the local cash price). Because "basis" for a particular commodity and location typically has multiple quoted prices from other agribusinesses in the same geographical vicinity and is used as a common pricing mechanism in the Agribusiness industry, we have concluded that "basis" is typically a Level 2 fair value input for purposes of the fair value disclosure requirements related to our commodity derivatives, depending on the specific commodity. Although nonperformance risk, both of the Company and the counterparty, is present in each of these commodity contracts and is a component of the estimated fair values, based on the Company's historical experience with its producers and customers and the Company's knowledge of their businesses, the Company does not view nonperformance risk to be a significant input to fair value for these commodity contracts.

These fair value disclosures exclude physical grain inventories measured at net realizable value. The net realizable value used to measure the Company's agricultural commodity inventories is the fair value (spot price of the commodity in an exchange), less cost of disposal and transportation based on the local market. This valuation would generally be considered Level 2. The

amount is disclosed in Note 2 Inventories. Changes in the net realizable value of commodity inventories are recognized as a component of cost of sales and merchandising revenues.

Provisionally priced contract liabilities are those for which the Company has taken ownership and possession of grain but the final purchase price has not been established. In the case of payables where the unpriced portion of the contract is limited to the futures price of the underlying commodity or we have delivered provisionally priced grain and a subsequent payable or receivable is set up for any futures changes in the grain price, quoted CBOT prices are used and the liability is deemed to be Level 1 in the fair value hierarchy. For all other unpriced contracts which include variable futures and basis components, the amounts recorded for delayed price contracts are determined on the basis of local grain market prices at the balance sheet date and, as such, are deemed to be Level 2 in the fair value hierarchy.

The risk management contract liability allows related ethanol customers to effectively unprice the futures component of their inventory for a period of time, subjecting the bushels to market fluctuations. The Company records an asset or liability for the market value changes of the commodities over the life of the contracts based on quoted CBOT prices and as such, the balance is deemed to be Level 1 in the fair value hierarchy.

The Company's convertible preferred securities are measured at fair value using a combination of the income approach and the market approach. Specifically, the income approach incorporates the use of the Discounted Cash Flow method, whereas the Market Approach incorporates the use of the Guideline Public Company method. Application of the Discounted Cash Flow method requires estimating the annual cash flows that the business enterprise is expected to generate in the future. The assumptions input into this method are estimated annual cash flows for a specified estimation period, the discount rate, and the terminal value at the end of the estimation period. In the Guideline Public Company method, valuation multiples, including total invested capital, are calculated based on financial statements and stock price data from selected guideline publicly traded companies. A comparative analysis is then performed for factors including, but not limited to size, profitability and growth to determine fair value.

The Company's stake in the Iowa Northern Railway Company ("IANR") was redeemed in the first quarter of 2016. The remaining convertible preferred securities are interests in two early-stage enterprises in the form of debt securities with the possibility of conversion to equity under certain circumstances.

A reconciliation of beginning and ending balances for the Company's recurring fair value measurements using Level 3 inputs is as follows:

(in thousands)	Convertible Securities		Contingent Consideration	
	2016	2015	2016	2015
Assets (Liabilities) at January 1,	\$ 13,550	\$ 13,300	\$ (350)	\$ —
New agreements	2,500	750	—	(350)
Sales proceeds	(13,485)	(992)	—	—
Realized Gains (Losses) included in Earnings	729	492	350	—
Unrealized Gains (Losses) included in Other Comprehensive Income	—	—	—	—
Fair value of impaired retail properties	—	—	—	—
Assets (Liabilities) at December 31,	<u>\$ 3,294</u>	<u>\$ 13,550</u>	<u>\$ —</u>	<u>\$ (350)</u>

The following tables summarize information about the Company's Level 3 fair value measurements as of December 31, 2016 and 2015:

Quantitative Information about Level 3 Fair Value Measurements

(in thousands)	Fair Value as of 12/31/16	Valuation Method	Unobservable Input	Weighted Average
Convertible Notes	\$ 3,294	Cost Basis, Plus Interest	N/A	N/A
Real Property	\$ 11,210	Third-Party Appraisal	N/A	N/A

(in thousands)	Fair Value as of 12/31/15	Valuation Method	Unobservable Input	Weighted Average
Convertible Preferred Securities	\$ 12,800	Market Approach	EBITDA Multiples	5.6
		Income Approach	Discount Rate	14.5%
Convertible Notes	\$ 750	Cost Basis	N/A	N/A

Fair Value of Debt Instruments

Certain long-term notes payable and the Company's debenture bonds bear fixed rates of interest and terms of up to 15 years. Based upon the Company's credit standing and current interest rates offered by the Company on similar bonds and rates currently available to the Company for long-term borrowings with similar terms and remaining maturities, the Company estimates the fair values of its fixed rate long-term debt instruments outstanding at December 31, 2016 and 2015, as follows:

(in thousands)	Carrying Amount	Fair Value	Fair Value Hierarchy Level
2016			
Fixed rate long-term notes payable	\$ 308,645	\$ 310,338	Level 2
Debenture bonds	36,931	37,883	Level 2
	<u>\$ 345,576</u>	<u>\$ 348,221</u>	
2015			
Fixed rate long-term notes payable	\$ 241,111	\$ 244,101	Level 2
Debenture bonds	39,375	40,087	Level 2
	<u>\$ 280,486</u>	<u>\$ 284,188</u>	

The fair value of the Company's cash equivalents, accounts receivable and accounts payable approximate their carrying value as they are close to maturity.

12. Related Party Transactions

Equity Method Investments

The Company, directly or indirectly, holds investments in companies that are accounted for under the equity method. The Company's equity in these entities is presented at cost plus its accumulated proportional share of income or loss, less any distributions it has received.

In January 2003, the Company became a minority investor in LTG, which focuses on grain merchandising as well as trading related to the energy and biofuels industry. The Company accounts for this investment under the equity method. The Company sells and purchases both grain and ethanol with LTG in the ordinary course of business on terms similar to sales and purchases with unrelated customers.

On January 22, 2014, the Company entered into an agreement with LTG for a partial redemption of the Company's investment in LTG for \$60 million. At the time of redemption, the Company's interest in LTG reduced from approximately 47.5 percent to approximately 39.2 percent on a fully diluted basis. A portion of the proceeds (\$28.5 million) was considered a distribution of earnings and reduced the Company's cost basis in LTG. The difference between the remaining proceeds of \$31.5 million and the new cost basis of the shares sold, net of deal costs, resulted in a gain of \$17.1 million (\$10.7 million after tax) and was recorded in Other Income.

On December 4, 2015, LTG agreed to the sale of equity to New Hope Liuhe Investment (USA), Inc., a U.S. subsidiary of the Chinese company, New Hope Liuhe Co. Ltd. New Hope paid cash for a 20 percent equity interest in LTG. The impact of this transaction to the Company is a reduction in total ownership share of LTG from approximately 38.5 percent to 31.0 percent which includes dilution from newly issued shares as well as a redemption of shares that occurred on a pro rata basis between the Company and the other existing owners of LTG. The Company recognized a total gain of \$23.1 million on these

transactions. Cash of \$8.2 million was received of which \$1.3 million was a return of capital and \$6.7 million was a return on capital. The remainder was a book gain on cash received in excess of basis in the shares redeemed.

In 2005, the Company became an investor in The Andersons Albion Ethanol LLC ("TAAE"). TAAE is a producer of ethanol and its co-products DDG and corn oil at its 55 million gallon-per-year ethanol production facility in Albion, Michigan. The Company operates the facility under a management contract and provides corn origination, ethanol, corn oil and DDG marketing and risk management services. The Company is separately compensated for all such services except corn oil marketing. The Company also leases its Albion, Michigan grain facility to TAAE. While the Company now holds 55% of the outstanding units of TAAE, a super-majority vote is required for all major operating decisions of TAAE based on the terms of the Operating Agreement. The Company has concluded that the super-majority vote requirement gives the minority shareholders substantive participating rights and therefore consolidation for book purposes is not appropriate. The Company accounts for its investment in TAAE under the equity method of accounting.

In 2006, the Company became a minority investor in The Andersons Clymers Ethanol LLC ("TACE"). TACE is also a producer of ethanol and its co-products DDG and corn oil at a 110 million gallon-per-year ethanol production facility in Clymers, Indiana. The Company operates the facility under a management contract and provides corn origination, ethanol, corn oil and DDG marketing and risk management services for which it is separately compensated. The Company also leases its Clymers, Indiana grain facility to TACE.

In 2006, the Company became a minority investor in The Andersons Marathon Ethanol LLC ("TAME"). TAME is also a producer of ethanol and its co-products DDG and corn oil at a 110 million gallon-per-year ethanol production facility in Greenville, Ohio. In January 2007, the Company transferred its 50% share in TAME to The Andersons Ethanol Investment LLC ("TAEI"), a consolidated subsidiary of the Company, of which a third party owns 34% of the shares. The Company operates the facility under a management contract and provides corn origination, ethanol, corn oil and DDG marketing and risk management services for which it is separately compensated. In 2009, TAEI invested an additional \$1.1 million in TAME, retaining a 50% ownership interest.

The Company has marketing agreements with TAAE, TACE, and TAME ("the three unconsolidated ethanol LLCs") under which the Company purchases and markets the ethanol produced to external customers. As compensation for these marketing services, the Company earns a fee on each gallon of ethanol sold. For two of the LLCs, the Company purchases all of the ethanol produced and then sells it to external parties. For the third LLC, the Company buys only a portion of the ethanol produced. The Company acts as the principal in these ethanol sales transactions to external parties as the Company has ultimate responsibility of performance to the external parties. Substantially all of these purchases and subsequent sales are executed through forward contracts on matching terms and, outside of the fee the Company earns for each gallon sold, the Company does not recognize any gross profit on the sales transactions. For the years ended December 31, 2016, 2015 and 2014, revenues recognized for the sale of ethanol purchased from related parties were \$427.8 million, \$428.2 million and \$584.2 million, respectively. In addition to the ethanol marketing agreements, the Company holds corn origination agreements, under which the Company originates all of the corn used in production for each unconsolidated ethanol LLC. For this service, the Company receives a unit based fee. Similar to the ethanol sales described above, the Company acts as a principal in these transactions, and accordingly, records revenues on a gross basis. For the years ended December 31, 2016, 2015 and 2014, revenues recognized for the sale of corn under these agreements were \$426.8 million, \$443.9 million and \$480.2 million, respectively. As part of the corn origination agreements, the Company also markets the DDG produced by the entities. For this service the Company receives a unit based fee. The Company does not purchase any of the DDG from the ethanol entities; however, as part of the agreement, the Company guarantees payment by the buyer for DDG sales. At December 31, 2016 and 2015, the three unconsolidated ethanol entities had a combined receivable balance for DDG of \$4.1 million and \$3.9 million, respectively, of which \$9.4 thousand and \$63.3 thousand, respectively, was more than thirty days past due. As the Company has not experienced historical losses and the DDG receivable balances greater than thirty days past due is immaterial, the Company has concluded that the fair value of this guarantee is inconsequential.

On July 31, 2013, the Company, along with Lansing Trade Group, LLC established joint ventures that acquired 100% of the stock of Thompsons Limited, including its investment in the related U.S. operating company. Each Company owns 50% of the investment. Thompsons Limited is a grain and food-grade bean handler and agronomy input provider, headquartered in Blenheim, Ontario, and operates 12 locations across Ontario and Minnesota. The Company does not hold a majority of the outstanding shares of Thompsons Limited joint ventures. All major operating decisions of these joint ventures are made by their Board of Directors and the Company does not have a majority of the board seats. Due to these factors, the Company does not have control over these joint ventures and therefore accounts for these investments under the equity method of accounting.

The following table presents aggregate summarized financial information of LTG, TAAE, TACE, TAME, Thompsons Limited, and other various investments as they qualified as significant equity method investees in the aggregate. No equity investments qualified as significant for the years ended December 31, 2016, 2015 and 2014.

(in thousands)	December 31,		
	2016	2015	2014
Sales	\$ 6,579,413	\$ 6,868,257	\$ 8,152,313
Gross profit	188,350	250,847	396,774
Income from continuing operations	12,288	85,220	233,831
Net income	6,445	81,368	219,431
Current assets	898,081	1,236,171	1,482,110
Non-current assets	565,416	500,637	558,138
Current liabilities	665,387	796,816	1,153,101
Non-current liabilities	359,816	342,075	381,646
Noncontrolling interests	3,628	11,716	13,953

The following table presents the Company's investment balance in each of its equity method investees by entity:

(in thousands)	December 31,	
	2016	2015
The Andersons Albion Ethanol LLC	\$ 38,972	\$ 32,871
The Andersons Clymers Ethanol LLC	19,739	29,278
The Andersons Marathon Ethanol LLC	22,069	31,255
Lansing Trade Group, LLC	89,050	101,531
Thompsons Limited (a)	46,184	43,964
Other	917	3,208
Total	\$ 216,931	\$ 242,107

(a) Thompsons Limited and related U.S. operating company held by joint ventures

The following table summarizes income (losses) earned from the Company's equity method investments by entity:

(in thousands)	% ownership at December 31, 2016	December 31,		
		2016	2015	2014
The Andersons Albion Ethanol LLC	55%	\$ 6,167	\$ 5,636	\$ 19,814
The Andersons Clymers Ethanol LLC	39%	6,486	6,866	21,840
The Andersons Marathon Ethanol LLC	50%	5,814	4,718	27,226
Lansing Trade Group, LLC	33% (a)	(9,935)	11,880	23,266
Thompsons Limited (b)	50%	1,189	2,735	4,140
Other	5%-34%	—	89	237
Total		\$ 9,721	\$ 31,924	\$ 96,523

(a) This does not consider the restricted management units which once vested will reduce the ownership percentage by approximately 0.7%.

(b) Thompsons Limited and related U.S. operating company held by joint ventures

Total distributions received from unconsolidated affiliates were \$33.6 million for the year ended December 31, 2016. The balance at December 31, 2016 that represents the undistributed earnings of the Company's equity method investments is \$72.1 million.

Investment in Debt Securities

The Company previously owned 100% of the cumulative convertible preferred shares of Iowa Northern Railway Company ("IANR"), which operates a short-line railroad in Iowa. In the first quarter of 2016, these shares were redeemed and the Company no longer has an ownership stake in this entity.

Related Party Transactions

In the ordinary course of business, the Company will enter into related party transactions with each of the investments described above, along with other related parties. The following table sets forth the related party transactions entered into for the time periods presented:

(in thousands)	December 31,		
	2016	2015	2014
Sales revenues	\$ 749,746	\$ 825,220	\$ 1,062,377
Service fee revenues (a)	17,957	20,393	23,093
Purchases of product	463,832	465,056	604,067
Lease income (b)	5,966	6,664	6,381
Labor and benefits reimbursement (c)	12,809	11,567	11,707
Other expenses (d)	149	1,059	1,224
Accounts receivable at December 31 (e)	26,254	13,362	25,049
Accounts payable at December 31 (f)	23,961	13,784	17,687

- (a) Service fee revenues include management fee, corn origination fee, ethanol and DDG marketing fees, and other commissions.
- (b) Lease income includes the lease of the Company's Albion, Michigan and Clymers, Indiana grain facilities as well as certain railcars to the unconsolidated ethanol LLCs and IANR.
- (c) The Company provides all operational labor to the unconsolidated ethanol LLCs and charges them an amount equal to the Company's costs of the related services.
- (d) Other expenses include payments to IANR for repair facility rent and use of their railroad reporting mark, payment to LTG for the lease of railcars and other various expenses.
- (e) Accounts receivable represents amounts due from related parties for sales of corn, leasing revenue and service fees.
- (f) Accounts payable represents amounts due to related parties for purchases of ethanol and other various items.

From time to time, the Company enters into derivative contracts with certain of its related parties, including the unconsolidated ethanol LLCs, LTG, and the Thompsons Limited joint ventures, for the purchase and sale of grain and ethanol, for similar price risk mitigation purposes and on similar terms as the purchase and sale derivative contracts it enters into with unrelated parties. The fair value of derivative contracts with related parties in a gross asset position as of December 31, 2016 and 2015 was \$4.1 million and \$2.3 million, respectively. The fair value of derivative contracts with related parties in a gross liability position as of December 31, 2016 and 2015 was \$0.1 million and \$0.3 million, respectively.

13. Segment Information

The Company's operations include five reportable business segments that are distinguished primarily on the basis of products and services offered. The Grain business includes grain merchandising, the operation of terminal grain elevator facilities and the investments in LTG and Thompsons Limited. The Ethanol business purchases and sells ethanol and also manages the ethanol production facilities organized as limited liability companies, one is consolidated and three are investments accounted for under the equity method. There are various service contracts for these investments. Rail operations include the leasing, marketing and fleet management of railcars and other assets, railcar repair and metal fabrication. The Plant Nutrient business manufactures and distributes agricultural inputs, primarily base nutrient and value add fertilizers, to dealers and farmers, along with turf care and corncob-based products. The Retail business operates large retail stores, a distribution center, and a lawn and garden equipment sales and service facility. In January 2017, the Company announced that the Retail segment will be closed in the first half of 2017. Included in "Other" are the corporate level costs not attributed to an operating segment.

The segment information below includes the allocation of expenses shared by one or more operating segments. Although management believes such allocations are reasonable, the operating information does not necessarily reflect how such data might appear if the segments were operated as separate businesses. Inter-segment sales are made at prices comparable to normal, unaffiliated customer sales. The Company does not have any customers who represent 10 percent, or more, of total revenues.

(in thousands)	Year ended December 31,		
	2016	2015	2014
Revenues from external customers			
Grain	\$ 2,357,171	\$ 2,483,643	\$ 2,682,038
Ethanol	544,556	556,188	765,939
Plant Nutrient	725,176	848,338	802,333
Rail	163,658	170,848	148,954
Retail	134,229	139,478	140,807
Total	<u>\$ 3,924,790</u>	<u>\$ 4,198,495</u>	<u>\$ 4,540,071</u>

(in thousands)	Year ended December 31,		
	2016	2015	2014
Inter-segment sales			
Grain	\$ 1,638	\$ 3,573	\$ 5,066
Plant Nutrient	470	682	627
Rail	1,399	1,192	466
Total	<u>\$ 3,507</u>	<u>\$ 5,447</u>	<u>\$ 6,159</u>

(in thousands)	Year ended December 31,		
	2016	2015	2014
Interest expense (income)			
Grain	\$ 7,955	\$ 5,778	\$ 8,785
Ethanol	35	70	255
Plant Nutrient	6,448	7,243	5,278
Rail	6,461	7,006	7,247
Retail	496	356	666
Other	(276)	(381)	(471)
Total	<u>\$ 21,119</u>	<u>\$ 20,072</u>	<u>\$ 21,760</u>

(in thousands)	Year ended December 31,		
	2016	2015	2014
Equity in earnings of affiliates			
Grain	\$ (8,746)	\$ 14,703	\$ 27,643
Ethanol	18,467	17,221	68,880
Total	<u>\$ 9,721</u>	<u>\$ 31,924</u>	<u>\$ 96,523</u>

(in thousands)	Year ended December 31,		
	2016	2015	2014
Other income, net			
Grain	\$ 5,472	\$ 26,229	\$ 21,450
Ethanol	77	377	223
Plant Nutrient	3,716	3,046	4,372
Rail	2,218	15,935	3,094
Retail	507	557	955
Other	2,785	328	1,031
Total	<u>\$ 14,775</u>	<u>\$ 46,472</u>	<u>\$ 31,125</u>

(in thousands)	Year ended December 31,		
	2016	2015	2014
Income (loss) before income taxes			
Grain	\$ (15,651)	\$ (9,446)	\$ 58,136
Ethanol	24,723	28,503	92,257
Plant Nutrient	14,176	121	24,514
Rail	32,428	50,681	31,445
Retail	(8,848)	(455)	(620)
Other*	(28,323)	(82,713)	(34,505)
Non-controlling interests	2,876	1,745	12,919
Total	<u>\$ 21,381</u>	<u>\$ (11,564)</u>	<u>\$ 184,146</u>

* includes pension settlement charges in 2015

(in thousands)	Year ended December 31,	
	2016	2015
Identifiable assets		
Grain	\$ 961,114	\$ 1,010,810
Ethanol	171,115	183,080
Plant Nutrient	484,455	531,753
Rail	398,446	405,702
Retail	31,257	44,135
Other	186,462	183,621
Total	<u>\$ 2,232,849</u>	<u>\$ 2,359,101</u>

(in thousands)	Year ended December 31,		
	2016	2015	2014
Capital expenditures			
Grain	\$ 21,428	\$ 26,862	\$ 20,958
Ethanol	2,301	7,223	2,256
Plant Nutrient	15,153	14,384	24,491
Rail	4,345	2,990	2,332
Retail	436	1,005	1,190
Other	34,077	20,005	8,448
Total	<u>\$ 77,740</u>	<u>\$ 72,469</u>	<u>\$ 59,675</u>

(in thousands)	Year ended December 31,		
	2016	2015	2014
Acquisition of businesses, net of cash acquired and other investments			
Grain	\$ —	\$ —	\$ 40,206
Ethanol	—	—	—
Plant Nutrient	—	128,549	15,489
Rail	—	—	—
Other	2,500	750	100
Total	<u>\$ 2,500</u>	<u>\$ 129,299</u>	<u>\$ 55,795</u>

(in thousands)	Year ended December 31,		
	2016	2015	2014
Depreciation and amortization			
Grain	\$ 18,232	\$ 19,240	\$ 16,547
Ethanol	5,925	5,865	5,700
Plant Nutrient	28,663	25,179	19,624
Rail	20,082	18,450	13,262
Retail	2,452	2,510	2,668
Other	8,971	7,212	4,204
Total	<u>\$ 84,325</u>	<u>\$ 78,456</u>	<u>\$ 62,005</u>

Grain sales for export to foreign markets amounted to \$78.3 million, \$195.6 million and \$251.4 million in 2016, 2015 and 2014, respectively - the majority of which were sales to Canadian customers. Revenues from leased railcars in Canada totaled \$13.2 million, \$11.0 million and \$9.1 million in 2016, 2015 and 2014, respectively. The net book value of the leased railcars in Canada as of December 31, 2016 and 2015 was \$26.8 million and \$26.6 million, respectively.

14. Commitments and Contingencies

Litigation activities

The Company is party to litigation, or threats thereof, both as defendant and plaintiff with some regularity, although individual cases that are material in size occur infrequently. As a defendant, the Company establishes reserves for claimed amounts that are considered probable, and capable of estimation. If those cases are resolved for lesser amounts, the excess reserves are taken into income and, conversely, if those cases are resolved for larger than the amount the Company has accrued, the Company records a charge to income. The Company believes it is unlikely that the results of its current legal proceedings for which it is the defendant, even if unfavorable, will be material. As a plaintiff, amounts that are collected can also result in sudden, non-recurring income. Litigation results depend upon a variety of factors, including the availability of evidence, the credibility of witnesses, the performance of counsel, the state of the law, and the impressions of judges and jurors, any of which can be critical in importance, yet difficult, if not impossible, to predict. Consequently, cases currently pending, or future matters, may result in unexpected, and non-recurring losses, or income, from time to time. Finally, litigation results are often subject to judicial reconsideration, appeal and further negotiation by the parties, and as a result, the final impact of a particular judicial decision may be unknown for some time, or may result in continued reserves to account for the potential of such post-verdict actions.

Railcar leasing activities

The Company's Rail Group is a lessor of transportation assets. The majority are leased to customers under operating leases that may be either net leases (in which the customer pays for all maintenance) or full service leases (where the Company provides maintenance and fleet management services). The Company also provides such services to financial intermediaries to whom it has sold assets in non-recourse lease transactions. Fleet management services generally include maintenance, escrow, tax filings and car tracking services.

Many of the Company's leases provide for renewals. The Company also generally holds purchase options for assets it has sold and leased-back from a financial intermediary, and assets sold in non-recourse lease transactions. These purchase options are for stated amounts which are determined at the inception of the lease and are intended to approximate the estimated fair value of the applicable assets at the date for which such purchase options can be exercised.

Lease income from operating leases (with the Company as lessor) to customers (including month-to-month and per diem leases) and rental expense for the Rail Group operating leases (with the Company as lessee) were as follows:

(in thousands)	Year ended December 31,		
	2016	2015	2014
Rental and service income - operating leases	\$ 95,254	\$ 97,059	\$ 80,715
Rental expense	\$ 16,723	\$ 15,214	\$ 13,206

Lease income recognized under per diem arrangements (described in Note 1) totaled \$4.9 million, \$5.0 million, and 3.4 million in 2016, 2015 and 2014, respectively, and is included in the amounts above.

Future minimum rentals and service income for all noncancellable Rail operating leases on transportation assets are as follows:

(in thousands)	Future Rental and Service Income - Operating Leases	Future Minimum Rental Payments
Year ended December 31,		
2017	\$ 68,838	\$ 14,544
2018	52,447	11,356
2019	34,006	6,891
2020	19,670	5,072
2021	13,923	4,473
Future years	24,336	12,853
	<u>\$ 213,220</u>	<u>\$ 55,189</u>

The Company also arranges non-recourse lease transactions under which it sells assets to financial intermediaries and assigns the related operating lease on a non-recourse basis. The Company generally provides ongoing maintenance and management services for the financial intermediaries, and receives a fee for such services when earned. Management and service fees earned in 2016, 2015 and 2014 were \$5.7 million, \$7.0 million and \$8.4 million, respectively.

Build-to-Suit Lease

In August, 2015, the Company entered into a lease agreement with an initial term of 15 years for a build-to-suit facility to be used as the new corporate headquarters which was completed in the third quarter of 2016. We have recognized an asset and a financing obligation.

As of December 31, 2016, we have recorded a build-to-suit financing obligation of \$14.0 million in other long-term liabilities and \$0.9 million in other current liabilities.

Other leasing activities

The Company, as a lessee, leases real property, vehicles and other equipment under operating leases. Certain of these agreements contain lease renewal and purchase options. Rental expense under these agreements was \$12.3 million, \$10.9 million and \$8.9 million in 2016, 2015 and 2014, respectively. Future minimum lease payments under agreements in effect at December 31, 2016 are as follows: 2017 -- \$5.5 million; 2018 -- \$4.6 million; 2019 -- \$3.8 million; 2020 -- \$3.3 million; 2021 -- \$3.0 million; and \$0.3 million thereafter.

In addition to the above, the Company leases its Albion, Michigan and Clymers, Indiana grain elevators under operating leases to two of its ethanol investees. The Albion, Michigan grain elevator lease expires in 2056. The initial term of the Clymers, Indiana grain elevator lease ended in 2014 and was renewed through 2022. The agreement provides for several renewals of 7.5 years each. Lease income for the years ended December 31, 2016, 2015 and 2014 was \$2.0 million, \$2.0 million and \$2.0 million, respectively.

15. Supplemental Cash Flow Information

Certain supplemental cash flow information, including noncash investing and financing activities for the years ended December 31, 2016, 2015 and 2014 are as follows:

	Year ended December 31,		
	2016	2015	2014
Supplemental disclosure of cash flow information			
Interest paid	\$ 21,407	\$ 19,292	\$ 19,944
Income taxes paid, net of refunds	(10,587)	4,909	36,783
Noncash investing and financing activity			
Capital projects incurred but not yet paid	3,092	7,507	6,000
Purchase of a productive asset through seller-financing	—	1,010	6,634
Shares issued for acquisition of business	—	4,303	31,050
Outstanding shares to be issued for acquisition of business	—	—	4,470
Dividends declared not yet paid	4,493	4,338	4,059

See Footnote 17 for the fair value of assets acquired and liabilities assumed as part of business acquisitions.

16. Stock Compensation Plans

The Company's 2014 Long-Term Incentive Compensation Plan, dated February 28, 2014 and subsequently approved by Shareholders on May 2, 2014 (the "2014 LT Plan") is authorized to issue up to 1,750,000 shares of common stock as options, share appreciation rights, restricted shares and units, performance shares and units and other stock or cash-based awards. Approximately 808,000 shares remain available for issuance at December 31, 2016.

Stock-based compensation expense for all stock-based compensation awards are based on the grant-date fair value. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award. Total compensation expense recognized in the Consolidated Statement of Income for all stock compensation programs was \$7.0 million, \$1.9 million and \$8.6 million in 2016, 2015 and 2014, respectively.

Stock Only Stock Appreciation Rights ("SOSARs")

SOSARs granted to directors and management personnel under the LT Plan beginning in 2008 have a term of five years and have three year graded vesting. SOSARs granted under the LT Plan are structured as fixed grants with the exercise price equal to the market value of the underlying stock on the date of the grant. The related expense is recognized on a straight-line basis over the service period.

Beginning in 2011, the Company replaced the SOSAR equity awards with full value Restricted Stock Awards ("RSAs"). No SOSAR equity awards have been granted since 2010. No SOSAR equity awards remain outstanding as of December 31, 2016.

A summary of activity related to SOSARs is included below:

(in thousands)	Year ended December 31,		
	2016	2015	2014
Total intrinsic value of SOSARs exercised	\$ —	\$ —	\$ 5,193
Total fair value of shares vested	\$ —	\$ —	\$ —

As of December 31, 2016, there was no unrecognized compensation cost related to SOSARs granted under the LT Plan.

Non-Qualified Stock Options ("Options")

The Company granted non-qualified stock options during 2015 under the 2014 LT Plan, upon the hiring of our new Chief Executive Officer. The options have a term of seven years and have three year annual graded vesting. The fair value of the

options was estimated at the date of grant under the Black-Scholes option pricing model with the following assumptions. Expected volatility was estimated based on the historical volatility of the Company's common shares over the 5.5 years prior to the grant date. The average expected life was based on the contractual term of the plan. The risk-free rate is based on the U.S. Treasury Strips available with maturity period consistent with the expected life. Forfeitures are estimated at the date of grant based on historical experience.

	2015
Risk free interest rate	1.80%
Dividend yield	1.58%
Volatility factor of the expected market price of the common shares	0.35
Expected life for the options (in years)	5.50

A reconciliation of the number of Options outstanding and exercisable under the 2014 LT Plan as of December 31, 2016, and changes during the period then ended is as follows:

	Shares (000's)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value (000's)
Options outstanding at January 1, 2016	325	\$ 35.40		
Options granted	—	—		
Options exercised	—	—		
Options cancelled / forfeited	—	—		
Options outstanding at December 31, 2016	325	\$ 35.40	5.84	\$ 3,023
Vested and expected to vest at December 31, 2016	323	\$ 35.40	5.84	\$ 3,002
Options exercisable at December 31, 2016	108	\$ 35.40	5.84	\$ 1,008

	Year ended December 31,
(in thousands)	2016
Total intrinsic value of Options exercised	\$ —
Total fair value of shares vested	\$ 1,123
Weighted average fair value of Options granted	\$ —

As of December 31, 2016, there was \$1.1 million unrecognized compensation cost related to Options granted under the 2014 LT Plan. That cost is expected to be recognized over the next 1.8 years.

Restricted Stock Awards

The LT Plans permit awards of restricted stock. These shares carry voting and dividend rights; however, sale of the shares is restricted prior to vesting. Restricted shares vest over a period of 3 years, with one-third vesting each January 1 of the following first, second, and third years. Total restricted stock expense is equal to the market value of the Company's common shares on the date of the award and is recognized over the service period on a straight line basis. In 2016, there were 177,321 shares issued to members of management and directors.

A summary of the status of the Company's non-vested restricted shares as of December 31, 2016, and changes during the period then ended, is presented below:

	Shares (000)'s	Weighted-Average Grant-Date Fair Value
Non-vested restricted shares at January 1, 2016	151	\$ 44.99
Granted	177	27.20
Vested	(92)	43.61
Forfeited	(13)	36.45
Non-vested restricted shares at December 31, 2016	223	\$ 31.93

	Year ended December 31,		
	2016	2015	2014
Total fair value of shares vested (000's)	\$4,038	\$4,918	\$1,585
Weighted average fair value of restricted shares granted	\$27.20	\$42.32	\$54.84

As of December 31, 2016, there was \$2.1 million of total unrecognized compensation cost related to non-vested restricted shares granted under the LT Plans. That cost is expected to be recognized over the next 2.7 years.

EPS-Based Performance Share Units ("EPS PSUs")

The LT Plans also allow for the award of EPS PSUs. Each EPS PSU gives the participant the right to receive common shares dependent on the achievement of specified performance results over a specified performance period. For EPS PSUs granted in 2014 and 2015, the performance period is 3 years. For EPS PSUs granted in 2013, the performance period is 2.25 years. At the end of the performance period, the number of shares of stock issued will be determined by adjusting the award upward or downward from a target award. Fair value of EPS PSUs issued is based on the market value of the Company's common shares on the date of the award. The related compensation expense is recognized over the performance period when achievement of the award is probable and is adjusted for changes in the number of shares expected to be issued if changes in performance are expected. In 2016, there were 129,714 PSUs issued to members of management. Currently, the Company is accounting for the awards granted in 2014, 2015 and 2016 at 0% of the maximum amount available for issuance.

EPS PSUs Activity

A summary of the status of the Company's EPS PSUs as of December 31, 2016, and changes during the period then ended, is presented below:

	Shares (000)'s	Weighted-Average Grant-Date Fair Value
Non-vested at January 1, 2016	311	\$ 48.53
Granted	130	27.54
Vested	—	—
Forfeited	(137)	45.9
Non-vested at December 31, 2016	304	\$ 40.76

	Year ended December 31,		
	2016	2015	2014
Weighted average fair value of PSUs granted	\$27.54	\$44.76	\$54.84

As of December 31, 2016, there was no unrecognized compensation cost related to non-vested EPS PSUs granted under the LT Plans.

TSR-Based Performance Share Units ("TSR PSUs")

Beginning in 2016, the Company began granting Total Shareholder Return-Based PSUs ("TSR PSUs"). Each PSU gives the participant the right to receive common shares dependent on total shareholder return over a 3 year period. At the end of the period, the number of shares of stock issued will be determined by adjusting the award upward or downward from a target award. Fair value of TSR PSUs was estimated at the date of grant using a Monte Carlo Simulation with the following

assumptions. Expected volatility was estimated based on the historical volatility of the Company's common shares over the 2.83 year period prior to the grant date. The average expected life was based on the contractual term of the plan. The risk-free rate is based on the U.S. Treasury Strips available with maturity period consistent with the expected life. Forfeitures are estimated at the date of grant based on historical experience. In 2016, there were 129,714 TSR PSUs issued to members of management.

	2016
Risk free interest rate	0.96%
Dividend yield	—%
Volatility factor of the expected market price of the common shares	0.37
Expected term (in years)	2.83
Correlation coefficient	0.43

TSR PSUs Activity

A summary of the status of the Company's PSUs as of December 31, 2016, and changes during the period then ended, is presented below:

	Shares (000)'s	Weighted-Average Grant-Date Fair Value
Non-vested at January 1, 2016	—	\$ —
Granted	130	26.43
Vested	—	—
Forfeited	(12)	26.43
Non-vested at December 31, 2016	118	\$ 26.43

	Year ended December 31,		
	2016	2015	2014
Weighted average fair value of PSUs granted	\$ 26.43	\$ —	\$ —

As of December 31, 2016, there was approximately \$1.1 million unrecognized compensation cost related to non-vested TSR PSUs granted under the LT Plans. That cost is expected to be recognized over the next 2.0 years.

Employee Share Purchase Plan (the "ESP Plan")

The Company's 2004 ESP Plan allows employees to purchase common shares through payroll withholdings. The Company has approximately 137,000 common shares remaining available for issuance to and purchase by employees under this plan. The ESP Plan also contains an option component. The purchase price per share under the ESP Plan is the lower of the market price at the beginning or end of the year. The Company records a liability for withholdings not yet applied towards the purchase of common stock.

The fair value of the option component of the ESP Plan is estimated at the date of grant under the Black-Scholes option pricing model with the following assumptions at the grant date. Expected volatility was estimated based on the historical volatility of the Company's common shares over the past year. The average expected life was based on the contractual term of the plan. The risk-free rate is based on the U.S. Treasury issues with a one year term. Forfeitures are estimated at the date of grant based on historical experience.

	2016	2015	2014
Risk free interest rate	0.61%	0.25%	0.13%
Dividend yield	1.96%	1.05%	0.74%
Volatility factor of the expected market price of the common shares	0.36	0.41	0.23
Expected life for the options (in years)	1.00	1.00	1.00

17. Business Acquisitions

The Company's acquisitions are accounted for as purchases in accordance with ASC Topic 805, *Business Combinations*. Tangible assets and liabilities and identifiable intangible assets were adjusted to fair values at the acquisition date with the remainder of the purchase price, if any, recorded as goodwill. Operating results of these acquisitions are included in the Company's Consolidated Financial Statements from the date of acquisition and are not significant to the Company's consolidated operating results such that pro-forma disclosures are required.

2016 Business Acquisitions

There were no business acquisitions completed in 2016.

Prior Years Business Acquisitions

On May 18, 2015, the Company purchased Kay Flo Industries, Inc. and certain subsidiaries. The Company acquired 100% of the outstanding shares of Kay Flo Industries, Inc. In connection with the acquisition, the Company agreed to pay contingent consideration based on the achievement of specified objectives, including reaching targeted gross profit thresholds. The range of undiscounted amounts the Company could be required to pay under the contingent consideration arrangement is between \$0 and \$24 million.

The total fair value of consideration for the acquisitions was \$129.4 million, including working capital and \$0.4 million in estimated fair value of the contingent consideration arrangement. The current estimated fair value of the contingent consideration arrangement is \$0. The Company funded this transaction with long-term debt, short-term debt, and cash on hand.

The purchase price allocation is summarized below:

(in thousands)

Cash	\$	880
Accounts receivable		14,699
Inventory		25,094
Other assets		6,155
Intangibles		53,091
Goodwill		47,735
Property, plant, and equipment		27,478
Accounts payable		(12,131)
Other current liabilities		(4,866)
Other non-current liabilities		(28,706)
Total purchase price	\$	<u>129,429</u>

The goodwill recognized as a result of the Kay Flo Industries, Inc. acquisition was \$47.7 million and was allocated to the Plant Nutrient segment. The goodwill is not deductible for tax purposes. The goodwill recognized is primarily attributable to expansion of the segment's geographic range and the ability to realize synergies from the combination of product lines and marketing efforts.

Details of the intangible assets acquired are as follows:

(in thousands)

	Fair Value	Useful Life
Unpatented technology	\$ 13,400	10 years
Customer relationships	22,800	10 years
Trade names	15,500	7 to 10 years
Noncompete agreement	1,342	5 years
Favorable leasehold interest	49	5 years
Total identifiable intangible assets	<u>\$ 53,091</u>	10 years *

*weighted average number of years

18. Sale of Assets

On May 2, 2016 the Company sold eight grain and agronomy locations in Iowa for \$54.3 million and recorded a nominal gain. The Andersons acquired these locations as part of its 2012 acquisition from Green Plains Grain Company. The Tennessee assets acquired during that same transaction will remain a part of the Company.

19. Quarterly Consolidated Financial Information (Unaudited)

The following is a summary of the unaudited quarterly results of operations for 2016 and 2015:

(in thousands, except for per common share data)	Sales and merchandising revenues	Gross profit	Net income attributable to The Andersons, Inc.	Earnings per share-basic	Earnings per share-diluted
Quarter ended 2016					
March 31	\$ 887,879	\$ 67,755	\$ (14,696)	\$ (0.52)	\$ (0.52)
June 30	1,064,244	97,042	14,423	0.51	0.51
September 30	859,612	77,015	1,722	0.06	0.06
December 31	1,113,055	103,694	10,145	0.36	0.36
Year ended 2016	\$ 3,924,790	\$ 345,506	\$ 11,594	0.41	0.41
Quarter ended 2015					
March 31	\$ 918,225	\$ 83,313	\$ 4,097	\$ 0.14	\$ 0.14
June 30	1,187,704	108,173	31,092	1.09	1.09
September 30	909,093	85,190	(1,227)	(0.04)	(0.04)
December 31	1,183,473	99,162	(47,029)	(1.68)	(1.68)
Year ended 2015	\$ 4,198,495	\$ 375,838	\$ (13,067)	(0.46)	(0.46)

Net income per share is computed independently for each of the quarters presented. As such, the summation of the quarterly amounts may not equal the total net income per share reported for the year.

20. Subsequent Events

On January 15, 2017, the Company announced that it is exiting the Retail business, effective in the first half of 2017, and is seeking to sell or find alternate uses for the Group's assets.

The book value of assets in this segment includes \$20.7 million of inventory and \$10.2 million of plant, property, and equipment subsequent to asset impairments of \$6.5 million in the fourth quarter of 2016. After impairment, the remaining long-lived assets carried by the segment have been written down to fair value at all locations.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company has established disclosure controls and procedures to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer (its "certifying officers"), as appropriate, to allow timely decisions regarding required disclosure.

Management of the Company, with the participation of its certifying officers, evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on the evaluation as of December 31, 2016, the certifying officers have concluded that the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including the certifying officers, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the criteria established in the *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, management concluded that, as of December 31, 2016, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included under Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Report of Independent Registered Public Accounting Firm

We have audited the internal control over financial reporting of The Andersons, Inc. and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2016 of the Company and our report dated March 1, 2017 expressed an unqualified opinion on those financial statements and financial statement schedule based on our audit and the report of other auditors.

/s/ Deloitte & Touche LLP

Cleveland, Ohio
March 1, 2017

Part III.

Item 10. Directors and Executive Officers of the Registrant

For information with respect to the executive officers of the registrant, see “Executive Officers of the Registrant” included in Part I of this report. For information with respect to the Directors of the registrant, see “Election of Directors” in the Proxy Statement for the Annual Meeting of the Shareholders to be held on May 12, 2017 (the “Proxy Statement”), which is incorporated herein by reference; for information concerning 1934 Securities and Exchange Act Section 16(a) Compliance, see such section in the Proxy Statement, incorporated herein by reference.

Item 11. Executive Compensation

The information set forth under the caption “Executive Compensation” in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth under the caption “Share Ownership” and “Executive Compensation - Equity Compensation Plan Information” in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information set forth under the caption “Review, Approval or Ratification of Transactions with Related Persons” in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information set forth under “Appointment of Independent Registered Public Accounting Firm” in the Proxy Statement is incorporated herein by reference.

Part IV.

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

- | | | |
|---------|--|------|
| (a) (1) | The Consolidated Financial Statements of the Company are set forth under Item 8 of this report on Form 10-K. | |
| (2) | The following consolidated financial statement schedule is included in Item 15(d): | Page |
| II. | Consolidated Valuation and Qualifying Accounts - years ended December 31, 2016, 2015 and 2014 | 95 |

All other schedules for which provisions are made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are not applicable, and therefore have been omitted.

- (3) Exhibits:
- 2.1 Agreement and Plan of Merger, dated April 28, 1995 and amended as of September 26, 1995, by and between The Andersons Management Corp. and The Andersons. (Incorporated by reference to Exhibit 2.1 to Registration Statement No. 33-58963).
 - 3.1 Articles of Incorporation. (Incorporated by reference to Exhibit 3(d) to Registration Statement No. 33-16936).
 - 3.4 Code of Regulations of The Andersons, Inc. (Incorporated by reference to Exhibit 3.4 to Registration Statement No. 33-58963).
 - 4.1 Form of Indenture dated as of October 1, 1985, between The Andersons, Inc. and Ohio Citizens Bank, as Trustee (Incorporated by reference to Exhibit 4 (a) in Registration Statement No. 33-819).
 - 4.3 Specimen Common Share Certificate. (Incorporated by reference to Exhibit 4.1 to Registration Statement No. 33-58963).
 - 4.4 The Seventeenth Supplemental Indenture dated as of August 14, 1997, between The Andersons, Inc. and The Fifth Third Bank, successor Trustee to an Indenture between The Andersons and Ohio Citizens Bank, dated as of October 1, 1985. (Incorporated by reference to Exhibit 4.4 to The Andersons, Inc. 1998 Annual Report on Form 10-K).
 - 4.5 Loan Agreement dated October 30, 2002 and amendments through the ninth amendment dated March 14, 2007 between The Andersons, Inc., the banks listed therein and U.S. Bank National Association as Administrative Agent. (Incorporated by reference from Form 10-Q filed November 9, 2006).
 - 4.6 Form of Indenture dated June 28, 2012, between The Andersons, Inc. and Huntington National Bank, as Trustee (Incorporated by reference to Exhibit 4.1 in Registration Statement No. 333-182428)
 - 10.10 Management Performance Program. * (Incorporated by reference to Exhibit 10(a) to the Predecessor Partnership's Form 10-K dated December 31, 1990, File No. 2-55070).
 - 10.30 The Andersons, Inc. 2004 Employee Share Purchase Plan * (Incorporated by reference to Appendix B to the Proxy Statement for the May 13, 2004 Annual Meeting).
 - 10.29 Note Purchase Agreement, dated March 27, 2008, between The Andersons, Inc., as borrowers, and several purchases with Wells Fargo Capital Markets acting as agent (Incorporated by reference from Form 8-K filed March 27, 2008).
 - 10.34 Form of Change in Control and Severance Participation Agreement (Incorporated by reference from Form 8-K filed January 13, 2009).
 - 10.35 Change in Control and Severance Policy (Incorporated by reference from Form 8-K filed January 13, 2009).
 - 10.40 Amended and Restated Note Purchase Agreement, dated February 26, 2010, between The Andersons, Inc., as borrower, and Co-Bank, one of the lenders to the original agreement (Incorporated by reference from Form 8-K filed March 5, 2010).

- 10.48 Fourth Amended and Restated Loan Agreement, dated December 7, 2011, between The Andersons, Inc., as borrower, and several banks with U.S. Bank National Association acting as agent and lender (Incorporated by reference from Form 8-K filed December 8, 2011).
- 10.55 Stock Purchase Agreement among the Sellers and The Andersons, Inc. and Lansing Trade Group LLC dated May 31, 2013 (Incorporated by reference from Form 8-K filed August 2, 2013).
- 10.56 Membership Interest Redemption Agreement between Lansing Trade Group, LLC and The Andersons Agriculture Group, L.P. (Incorporated by reference from Form 8-K filed January 23, 2014).
- 10.57 Second Amended and Restated Marketing Agreement between The Andersons, Inc. and Cargill, Incorporated dated June 1, 2013. (The exhibits to the Marketing Agreement have been omitted. The Company will furnish such exhibits to the SEC upon request.)
- 10.58 First Amendment to Lease and Sublease between Cargill, Incorporated and The Andersons, Inc. dated June 1, 2013. (Incorporated by reference to Form 10-K filed February 28, 2014).
- 10.59 Form of Performance Share Unit Agreement. (Incorporated by reference to Form 10-K filed February 28, 2014).
- 10.60 Form of Restricted Share Award Agreement. (Incorporated by reference to Form 10-K filed February 28, 2014).
- 10.61 Form of Restricted Share Award - Non-Employee Directors Agreement. (Incorporated by reference to Form 10-K filed February 28, 2014).
- 10.62 Form of Performance Share Unit Agreement. (Incorporated by reference to Form 10-K filed March 2, 2015).
- 10.63 Form of Restricted Share Award Agreement. (Incorporated by reference to Form 10-K filed March 2, 2015).
- 10.64 Form of Restricted Share Award - Non-Employee Directors Agreement. (Incorporated by reference to Form 10-K filed March 2, 2015).
- 10.65 Fifth Amended and Restated Loan Agreement, dated March 4, 2014, between The Andersons, Inc., as borrower, and several banks with U.S. Bank National Association acting as agent and lender. (Incorporated by reference to Form 10-Q filed May 9, 2014).
- 10.66 The Andersons, Inc. 2014 Long-Term Incentive Compensation Plan effective May 2, 2014 * (Incorporated by reference to Appendix C to the Proxy Statement for the May 2, 2014 Annual Meeting)
- 10.67 Agreement and Plan of Merger and Purchase Agreement Among The Shareholders of Auburn Bean and Grain Co. and The KMA Group LLC as Seller and The Andersons, Inc. as Buyer and TAI Acquisition Co. dated October 7, 2014. (Incorporated by reference to Form 8-K filed October 8, 2014).
- 10.68 Form of Performance Share Unit Agreement. (Incorporated by reference to Form 10-Q filed May 8, 2015).
- 10.69 Form of Restricted Share Award Agreement. (Incorporated by reference to Form 10-Q filed May 8, 2015).
- 10.70 Form of Restricted Share Award - Cliff Vesting Agreement. (Incorporated by reference to Form 10-Q filed May 8, 2015).
- 10.71 Form of Restricted Share Award - Non-Employee Directors Agreement. (Incorporated by reference to Form 10-Q filed May 8, 2015).
- 10.72 Employment Agreement between The Andersons, Inc. and Patrick E. Bowe (Incorporated by reference to Form 8-K filed November 5, 2015)
- 2.1 Stock Purchase Agreement by and among The Andersons, Inc, the Shareholders of Kay Flo Industries, Inc, and is joined by Kay Flo Industries, Inc, Certain Subsidiaries of the Company Named Herein, and Raun D. Lohry in his capacity as Sellers' Representative. (Incorporated by reference to Form 8-K filed May 18, 2015).

- 10.73 Form of Performance Share Unit Agreement - Total Shareholder Return. (Incorporated by reference to Form 10-Q filed May 10, 2016).
- 10.74 Form of Performance Share Unit Agreement - Earnings Per Share. (Incorporated by reference to Form 10-Q filed May 10, 2016).
- 10.75 Form of Restricted Share Award Agreement. (Incorporated by reference to Form 10-Q filed May 10, 2016).
- 10.76 Form of Restricted Share Award - Non-Employee Directors Agreement. (Incorporated by reference to Form 10-Q filed May 10, 2016).

- 12 Computation of Ratio of Earnings to Fixed Charges (filed herewith).
- 21 Consolidated Subsidiaries of The Andersons, Inc (filed herewith).
- 23.1 Consent of Independent Registered Public Accounting Firm - Deloitte & Touche LLP (filed herewith).
- 23.2 Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP - US (filed herewith).
- 23.3 Consent of Independent Registered Public Accounting Firm - Crowe Chizek LLP (filed herewith).
- 23.4 Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP - Canada (filed herewith).
- 31.1 Certification of the Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a) (filed herewith).
- 31.2 Certification of the Chief Financial Officer under Rule 13(a)-14(a)/15d-14(a) (filed herewith).
- 32.1 Certifications Pursuant to 18 U.S.C. Section 1350 (filed herewith).
- 101 Financial statements from the annual report on Form 10-K of The Andersons, Inc. for the year ended December 31, 2016, formatted in XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Equity, (v) the Consolidated Statement of Cash Flows and (vi) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan.

(b) Exhibits:

The exhibits listed in Item 15(a)(3) of this report, and not incorporated by reference, follow "Financial Statement Schedule" referred to in (c) below.

(c) Financial Statement Schedule

The financial statement schedule listed in 15(a)(2) follows "Signatures."

Item 16. Form 10-K Summary

Not applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE ANDERSONS, INC.
(Registrant)

Date: March 1, 2017

By /s/ Patrick E. Bowe

Patrick E. Bowe

Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>	<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Patrick E. Bowe</u> Patrick E. Bowe	Chief Executive Officer (Principal Executive Officer)	3/1/2017	<u>/s/ Ross W. Manire</u> Ross W. Manire	Director	3/1/2017
<u>/s/ John Granato</u> John Granato	Chief Financial Officer (Principal Financial Officer)	3/1/2017	<u>/s/ Donald L. Mennel</u> Donald L. Mennel	Director	3/1/2017
<u>/s/ Anne G. Rex</u> Anne G. Rex	Vice President, Corporate Controller (Principal Accounting Officer)	3/1/2017	<u>/s/ Patrick S. Mullin</u> Patrick S. Mullin	Director	3/1/2017
<u>/s/ Michael J. Anderson</u> Michael J. Anderson	Chairman	3/1/2017	<u>/s/ John T. Stout, Jr.</u> John T. Stout, Jr.	Director	3/1/2017
<u>/s/ Gerard M. Anderson</u> Gerard M. Anderson	Director	3/1/2017	<u>/s/ Jacqueline F. Woods</u> Jacqueline F. Woods	Director	3/1/2017
<u>/s/ Catherine M. Kilbane</u> Catherine M. Kilbane	Director	3/1/2017	<u>/s/ Robert J. King, Jr.</u> Robert J. King, Jr.	Director	3/1/2017

THE ANDERSONS, INC.

SCHEDULE II - CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

(in thousands)		Additions				
Description	Balance at beginning of period	Charged to costs and expenses	Transferred from (to) allowance for accounts / notes receivable	(1) Deductions	Balance at end of period	
Allowance for doubtful accounts receivable - Year ended December 31,						
2016	\$ 6,938	\$ 1,191	\$ —	\$ (423)	\$ 7,706	
2015	4,644	3,302	—	(1,008)	6,938	
2014	4,993	1,183	—	(1,532)	4,644	

(1) Uncollectible accounts written off, net of recoveries and adjustments to estimates for the allowance accounts.

THE ANDERSONS, INC.

EXHIBIT INDEX

<u>No.</u>	<u>Description</u>
12	Computation of Ratio of Earnings to Fixed Charges.
21	Consolidated Subsidiaries of The Andersons, Inc.
23.1	Consent of Independent Registered Public Accounting Firm.
23.2	Consent of Independent Registered Public Accounting Firm.
23.3	Consent of Independent Registered Public Accounting Firm.
23.4	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the Chairman and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a).
31.2	Certification of the Chief Financial Officer under Rule 13(a)-14(a)/15d-14(a).
32.1	Certifications Pursuant to 18 U.S.C. Section 1350.
101	Financial Statements from the annual report on Form 10-K of The Andersons, Inc. for the year ended December 31, 2016, formatted in XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Equity, (v) the Consolidated Statement of Cash Flows and (vi) the Notes to Consolidated Financial Statements.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
THE ANDERSONS, INC.

The following table sets forth our ratio of earnings to fixed charges for each of the periods indicated:

(in thousands, except for ratio)	Year Ended December 31,				
	2016	2015	2014	2013	2012
Computation of earnings					
Pretax income (loss) (a)	\$ 11,660	\$ (43,488)	\$ 87,623	\$ 80,808	\$ 103,646
Add:					
Interest expense on indebtedness	21,119	20,072	21,760	20,860	22,155
Amortization of debt issue costs	1,099	1,065	1,375	1,594	1,719
Interest portion of rent expense (b)	9,833	9,108	7,702	7,730	6,740
Distributed income of equity investees	24,451	31,117	125,058	17,780	24,353
Earnings	<u>\$ 68,162</u>	<u>\$ 17,874</u>	<u>\$ 243,518</u>	<u>\$ 128,772</u>	<u>\$ 158,613</u>
Computation of fixed charges					
Interest expense on indebtedness	\$ 21,119	\$ 20,072	\$ 21,760	\$ 20,860	\$ 22,155
Amortization of debt issue costs	1,099	1,065	1,375	1,594	1,719
Interest portion of rent expense (b)	9,833	9,108	7,702	7,730	6,740
Fixed charges	<u>\$ 32,051</u>	<u>\$ 30,245</u>	<u>\$ 30,837</u>	<u>\$ 30,184</u>	<u>\$ 30,614</u>
Ratio of earnings to fixed charges	<u>2.13</u>	<u>0.59</u>	<u>7.90</u>	<u>4.27</u>	<u>5.18</u>

(a) Pretax income as presented is income from continuing operations before adjustment for income or loss from equity investees.

(b) The portion of rent expense on operating leases included in the calculation of the fixed charges ratio above is a reasonable approximation of the interest factor on those agreements.

CONSOLIDATED SUBSIDIARIES OF THE ANDERSONS, INC.

Subsidiary	Place of Organization
The Andersons, Ltd.	Canada
The Andersons Agriculture Group, L.P.	Ohio
The Andersons AgVantage Agency, LLC	Ohio
The Andersons ALACO Lawn, Inc.	Alabama
The Andersons Canada, Inc.	Ohio
The Andersons Ethanol Investment, LLC	Ohio
The Andersons Ethanol Champaign LLC	Ohio
The Andersons Ethanol Investment II LLC	Ohio
The Andersons Denison Ethanol LLC	Delaware
The Andersons Executive Services LLC	Ohio
The Andersons Farm Development Co., LLC	Ohio
Andersons Lux Holdco S.A.R.L.	Luxembourg
The Andersons Rail Management Company LLC	Ohio
The Andersons Rail Operating I, LLC	Delaware
The Andersons ECO Services LLC	Ohio
The Andersons Winona Terminal, LLC	Minnesota
Cap Acquire LLC	Delaware
Cap Acquire Mexico S. de R.L. de C.V.	Mexico
Kay Flo Industries, Inc.	Iowa
Liqui Fert Corporation	Puerto Rico
Maumee Ventures LLC	Ohio
Metamora Commodity Company Incorporated	Ohio
Mineral Processing Company	Ohio
NARCAT LLC	Delaware
NARCAT Mexico S. De R.L. de C.V.	Mexico
New Eezy-Gro Inc.	Ohio
NuRail USA LLC	Ohio
NuRail Canada ULC	Nova Scotia
Nutra-Flo Company	Iowa
TAI Holdings, Inc.	Michigan
TOP CAT Holding Co.	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in:

- Registration Statement No. 333-202442 on Form S-8 dated March 2, 2015 pertaining to the registration of 1,750,000 shares under the Company's 2014 Long-Term Incentive Compensation Plan;
- Registration Statement No. 333-182428 on Form S-3 dated June 29, 2012 pertaining to the shelf registration of \$8,000,000 2.65% Five-Year Debentures, \$6,000,000 3.50% Ten-Year Debentures and \$6,000,000 4.50% Fifteen-Year Debentures; and
- Registration Statement No. 333-169826 on Form S-3 dated October 07, 2010 pertaining to the registration of \$12,000,000 4.25% Ten-Year Debentures and \$18,000,000 3.00% Five-Year Debentures

of our reports dated March 1, 2017, relating to the consolidated financial statements and financial statement schedule of The Andersons, Inc. and subsidiaries and the effectiveness of The Andersons, Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of The Andersons, Inc. for the year ended December 31, 2016.

/s/ Deloitte & Touche LLP

Cleveland, Ohio

March 1, 2017

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-202442) and Registration Statements on Form S-3 (Nos. 333-169826 and 333-182428) of The Andersons, Inc. of our report dated March 2, 2015, except for the effects of the change in the composition of reportable segments discussed in Note 13 (not presented herein) to the consolidated financial statements, as to which the date is February 29, 2016, relating to the consolidated financial statements and financial statement schedule which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Toledo, Ohio
March 1, 2017

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-202442) and Registration Statements on Form S-3 (No. 333-169826 and 333-182428) of The Andersons, Inc. of our report dated February 27, 2017 relating to the consolidated financial statements of Lansing Trade Group, LLC and Subsidiaries appearing in this Form 10-K.

/s/ Crowe Chizek LLP

Elkhart, Indiana
February 27, 2017

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-202442) and Registration Statements on Form S-3 (Nos. 333-169826 and 333-182428) of The Andersons, Inc. of our report dated February 17, 2017 relating to the consolidated financial statements of Lux JV Treasury Holding Company, S.à r.l. which appears in this Form 10-K of The Andersons, Inc.

/s/ PricewaterhouseCoopers LLP
London, Ontario, Canada
March 1, 2017

**Certification of President and Chief Executive Officer
Under Rule 13(a)-14(a)/15d-14(a)**

I, Patrick E. Bowe, certify that:

- 1 I have reviewed this report on Form 10-K of The Andersons, Inc.
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 1, 2017

/s/ Patrick E. Bowe

Patrick E. Bowe

Chief Executive Officer (Principal Executive Officer)

**Certification of Chief Financial Officer
under Rule 13(a)-14(a)/15d-14(a)**

I, John Granato, certify that:

- 1 I have reviewed this report on Form 10-K of The Andersons, Inc.
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 1, 2017

/s/ John Granato

John Granato

Chief Financial Officer (Principal Financial Officer)

The Andersons, Inc.

Certifications Pursuant to 18 U.S.C. Section 1350

In connection with the Annual Report of The Andersons, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer’s knowledge:

- (1) The Report fully complies with the requirements of 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

March 1, 2017

/s/ Patrick E. Bowe

Patrick E. Bowe

Chief Executive Officer

/s/ John Granato

John Granato

Chief Financial Officer